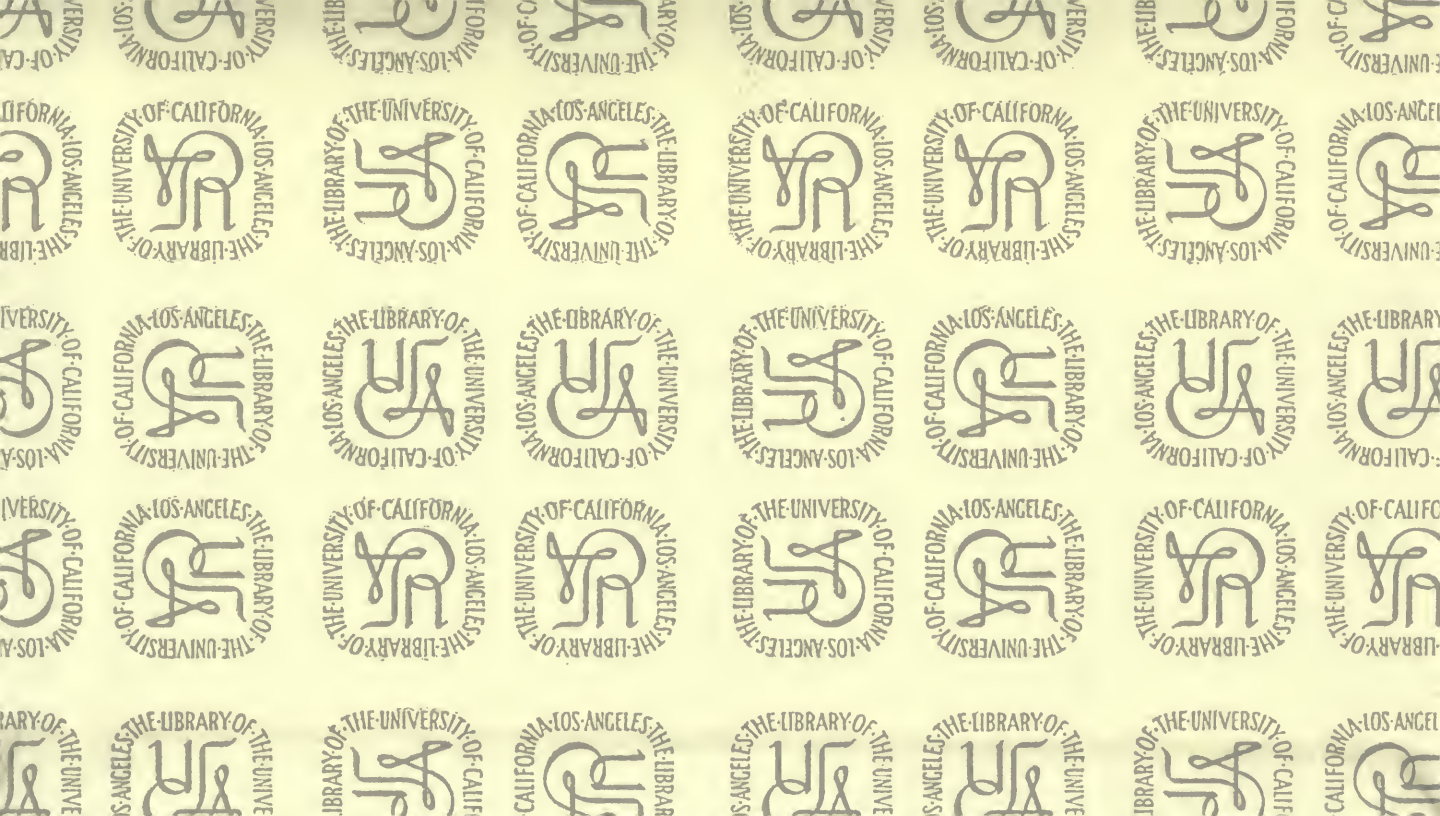
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A

MANUAL FOR CO-OPERATORS,

PREPARED AT THE REQUEST OF THE

CO-OPERATIVE CONGRESS,

HELD AT

GLOUCESTER,

IN APRIL, 1879;

AND REVISED 1888.

EDITED BY

THOMAS HUGHES, Q.C.,

AND

EDWARD VANSITTART NEALE,

GENERAL SECRETARY OF THE CO-OPERATIVE UNION.

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1888

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Resolution of the Co-operative Congress, held at Leeds, in June, 1881:—

"That we publish the Manual in the same manner as the other Tracts of the Board, and that our hearty thanks be given to Mr. Hughes and Mr. Neale for the labour they have devoted to it."

PREFACE.

IT has seemed desirable to explain to those who are responsible for this Manual, by way of preface, whence it comes, whom it represents, and why it is put forth.

WHENCE IT CAME.—The present proposal came from the Southern Section of the Central Co-operative Union, who, in December, 1878, resolved that it was desirable that a Manual should be prepared, and that an outline should, in the first instance, be submitted for their approval. This was done on February 19th, 1879, when the following outline was approved, and referred to the United Board:—

INTRODUCTORY—Historical Sketch of Co-operation.

PART I.—The Moral Basis of Co-operation, and its Relations to—

(a) Religious Faith.
(b) Other Philanthropic Movements.
(c) Socialism, Communism, and other Politico-Social Movements.

PART II.—The Economical Basis of Co-operation, and its Relations to—

(a) Competition.
(b) Current Economic Theories.
(c) The State.

PART III.—The Practice of Co-operation—

(a) In Distribution.
(b) In Production.
(c) In Social Life.
(d) As respects the Law.

PART IV.—The Helps and Hindrances to Co-operation—Dangers to be guarded against.

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Adoption by Central Board.—At the annual meeting of the Central Board, held at Gloucester on the 12th of April, 1879, the above outline was laid before the members from all the sections, and adopted by them; and it was resolved to recommend it to the Congress then about to be held, in order that, if approved, the necessary authority should be given for its preparation and publication.

Sanction by Congress.—Accordingly, at the Congress held at Gloucester in the month of April, 1879, the proposal was brought before the general meeting of the representatives of the societies in union, and was unanimously approved, and the duty of preparing and editing the Manual in conformity with the approved outlines was, in the first instance, entrusted to myself, with the General Secretary, Mr. E. V. Neale. On Mr. Neale's suggestion, the United Board resolved, on December 5th, 1879, "That each Section of the Board be requested to appoint one, to act as a committee with the Editors to revise the work." It is under this authority and supervision, therefore, that this Manual is now published.

It will thus be clear to all readers acquainted with the constitution of the Co-operative Union, that every precaution has been taken to ascertain and carry out the wishes of the societies who are members of it. To them the words Southern Section, United Board, and Congress will be familiar; but, as it is hoped that this Manual may reach many persons not in any way connected with the Union, and having no knowledge of its history or constitution, it may be well here to give some short details on these points.

Origin and Constitution of the Co-operative Union.—The Union, then, is composed of societies registered under the Industrial Societies Acts, the first of which (the 15 and 16 Vict., c. 31) was passed on the 30th June, 1852. (At that time there were already upwards of forty societies in existence, some of which were represented by a Central Board sitting in London—of which, perhaps, the present Union and Board may claim to be the legitimate successors; but, for present purposes, the Act by which such industrial combinations were first legalised may be taken as a starting point.)

It is needless to give in any detail the history of the movement in the first years after the passing of the Act which legalised industrial societies. They grew and thrived apace under its protection, but soon began to understand from their own individual experience that some union between them was necessary, if the full benefit of the Act was to be realised. What each society had done for its individual members, a central organisation to which all might belong might do for the societies as a body. The chance of injurious rivalry between them might thus be avoided, commercial advantages might be obtained, and the sound principles and high tone which characterised the early associations might be preserved and extended to the whole body.

For some years, however, this desire for union took no definite shape, beyond conferences of delegates from the Lancashire and Yorkshire societies, which were held from time to time—generally on Good Friday in each year. At length the time for a practical effort seemed to have come; and at the conference of 1863—after the 25 and 26 Vict., 1861-2, had given to the societies a corporate existence, and allowed one society to hold shares in another in its registered name—it was resolved to establish a centre of supply, of which every society in its corporate capacity might become a member. Accordingly, in the autumn of that year* the Wholesale Society of Manchester was founded and commenced business. The necessary capital was subscribed by fifty societies, numbering in the whole 17,545 individual members.

The experiment was at once successful. The first balance sheet showed average weekly sales of £800. Its progress up to the close of 1887 may be gathered from the fact that in the December quarter for that year the average weekly sales were £120,044. In the same quarter 827 societies, with 604,800 members, held shares in the Wholesale Society, which had supplied goods during the quarter to 974 societies, and done a business amounting in 1887 to

* The first half-year's accounts are dated April, 1864.

£5,713,235. Branches have been established in London and Newcastle, and purchasing agencies in Ireland, France, the United States, and several of the British Colonies.

But we must return to an earlier period—to 1868, when the members of societies which formed the Wholesale numbered in the last quarter 74,494, and its sales for the year amounted to £381,462 only, in place of the large numbers quoted above. Still, even then, those who had watched the growth of the movement from the first felt that the time had arrived to stimulate the desire of union for other purposes than the utilisation of joint capital for the purchase of goods in the best market on the most favourable terms. The initial steps for this object, which are described in the preface to the report of the Congress for 1869, were taken in London, principally through the exertions of an indefatigable veteran of co-operation, now unhappily lost to us, the late Mr. William Pare. Communications were opened with the Conference Committee of the Lancashire and Yorkshire Co-operative Societies, and, with their approval and support, a Congress was held in the Theatre of the Society of Arts, on May 31st and the three following days of 1869, which was attended by 62 delegates from 57 societies or companies, 23 in London or its immediate neighbourhood, and a considerable number of visitors. It led to the appointment of a committee, which afterwards combined with the Lancashire and Yorkshire Committee; and out of this combination arose, in 1873, by resolutions of a Congress held in Newcastle-on-Tyne, the organisation of the present Co-operative Union.

This Union includes, at the time when these lines are written, 775 societies* which, in the year ending March 31st, 1888, subscribed £3,892. 11s. 1d. for the current expenses of the Union.

It is governed by an Annual Congress composed of delegates elected by the subscribing societies, and a Central Board also directly elected by them, consisting at present of sixty-one members, and divided into six sections corresponding

* Out of about 1,350 existing in Great Britain.

to the divisions of Great Britain placed respectively under their charge.

These sections, taken in geographical order from south to north, are*—

NAME.	DISTRICT.	SOCIETIES.
Southern	Southern and Eastern Counties	128
Western	South-Western and Western Counties	37
Midland	Midland Counties and Lincolnshire	116
North-Western	North-Western Counties and Yorkshire	267
Northern	The Four Northern Counties	94
Scottish	Scotland	130

They act as a body through twelve representatives, appointed by the sections, and called the United Board, which meets regularly three times a year at Manchester. A fourth meeting, where all the sections are represented by as many members as can attend, is held in connection with the Annual Congress, which is ambulatory, meeting in each sectional district in rotation.

Each section has a secretary, and most of them are divided into sub-sections, each of these again having its own secretary, whose principal duties are—to organise local conferences, to keep up correspondence between the societies *inter se* and with the Board, and to bring before the whole Union any cases where advice or other help is required. The secretary of the United Board, who is also General Secretary of the Union, is in constant communication with the local secretaries of all the sections. The Union is thus, as it were, in permanent session, always ready to take action wherever it may be necessary or desirable—a permanent centre of advice and help in case of need. It is also, through its International Committee and its General Secretary, in correspondence with the leaders of kindred social movements in Europe and America—such as Herr F. Schenck, the successor of Herr Schulze-Delitzsch, in Germany; M. de Boyve, M. C. Limousin, and Mr C. Roberts, in France; and Signor Vigano, in Italy. Indeed it may be confidently affirmed that, so far as the English co-operative movement is recognised abroad, it is identified with the Co-operative Union.

* For details, see the Rules and Orders of the Union.

From this Union the following Manual comes. Dealing as it does with principles affecting the deepest sentiments of human nature, and applying them, as it endeavours to do, with unflinching logic to the matters where men's interests are directly concerned, it cannot be expected either that the foundation for co-operative action laid in it should be universally accepted by all members of the Union, or that all should agree in the practical conclusions built on this foundation. But to lay a solid foundation for co-operative action and raise upon it, in idea, the structural development of a social system, whose quiet but all-transforming growth may recall the beautiful lines applied by Bishop Heber to the Temple of Jerusalem :—

> No axe was heard, no pond'rous hammers rung,—
> Like some tall palm the graceful fabric sprung,

This was the difficult duty imposed upon my colleague and myself by the Congress which asked us to undertake the preparation of a Manual for Co-operators on the lines stated above. We should have been false to this duty if we had laid any "other foundation" than the one on which alone we believe human progress can firmly rest; or if, on that foundation, we had presented a commercial instead of a social edifice, as the outcome of co-operative work.

If the Congress had desired to see co-operation referred to some utilitarian basis, or the hopes of human progress identified with the grinding down of labour beneath the Juggernaut of cheapness, it should have laid down a different programme, and must have entrusted the preparation of the Manual to other hands than ours.

It does not follow, nor does either of us ask, that the Congress, in publishing this Manual as edited by us, should attempt to clothe it with an authority to which it does not lay claim. The Manual is written throughout in the style the least assuming possible, namely, in the singular number, as if there had been one editor only instead of two; and it never appeals to any authority but that of the facts adduced and the reasonings stated. It makes no attempt to pledge any member of the Union to any propositions beyond those

laid down in the Rules and Orders as the basis of the Union. That it will help to spread our convictions of the true foundation and proper development of co-operation, we, being ourselves convinced that the foundation is solid and the development legitimate, both hope and expect. But we do not ask the Congress to pass any other resolution about it than that it shall be published as we have edited it. We desire no acquiescence either in our premises or our conclusions, but one resting on the conviction that the premises are true and the conclusions logical.

What has just been said will, I trust, suffice to remove the misapprehensions which I find to have been entertained in some quarters that, in putting forth this Manual, Mr. NEALE and I seek to narrow the basis of the Co-operative Union to a creed of our own. There is another and more important matter on which it seems advisable to say a few words, in order to remove, if possible, once for all, misapprehensions concerning the objects and principles of the Union itself.

These misapprehensions are at present twofold. On the one hand, this Union is supposed to be the representative in England of the movement known by different names—Socialism, Communism, Nihilism—which is so profoundly disturbing all continental nations. On the other, it is looked upon as a mere effort of the working class to take the trade of the country into their own hands and carry it on for their own benefit on the old lines. Each of these views has truth in it, but yet is not true, as it is the object of these introductory remarks to show as shortly as possible.

First, then, what is the moving power which inspires and gives its ominous significance to the Socialism (to use one generic word) of the Continent? It is undoubtedly the hopelessness of the surroundings of life for the vast majority of the people under the present organisation of society in all European States. That organisation seems to these majorities to have been expressly framed in the interests of the few who possess wealth and power, against the many who have neither. And so far from there being any prospect of better things while that organisation is left standing, it would seem as though the great material changes wrought by the

conquest of steam, electricity, and other natural forces, while enormously increasing the wealth at the command of mankind, have only placed that wealth and the power and enjoyment that go with it more absolutely under the control of the few. So long as the strong are allowed to grow stronger, the rich richer, at the cost of the weak and the poor, this state of things will continue; or rather the conditions of life will constantly become more and more intolerable. Therefore, they say, it must be swept away. Society must be reorganised in the interest and with a view to the well-being and well-doing of the many. To this end the State, which has hitherto been their oppressor, must be made their servant, and, as a first and necessary step, must become the owner and distributor of the national wealth, both real and personal.

This, in a few words, is the contention of the people waking up as they are all over Europe to a consciousness at once of their own misery and of their own power. It is formulated most scientifically, as might be expected, in the State Communism of Germany, as advocated by Ferdinand Lassalle, and pushed to more extreme issues by Karl Marx and his followers. It involves confiscation of the possessions of the rich by the State, and the forcible repression of one great class of the community—probably the strongest, as would be proved in the throes of the revolution by which alone such a change could be brought about.

How far then is our English Co-operative Union in sympathy with this vast and threatening continental movement, which no doubt would gladly claim us as fellow-workers, and with which many amongst ourselves who do not look below the surface have been ready to identify us?

It must be frankly admitted that the same motive power has been at work here in England as in Russia and Germany. It is the hopelessness of their condition under the present social and commercial system of England which has led to the banding together of our 775 members in this Co-operative Union. They see, as clearly as the followers of Lassalle or of Karl Marx, that under that system they have no more chance in the future than in the past or present of raising

the condition of themselves or their children; that the mainsprings of commerce and manufactures, of producing, buying, and selling—in fact, that all the most potent material factors of modern life are here also getting into fewer and fewer governing hands; that under this system the strong are year by year becoming stronger, the rich richer, at the cost of the weak and poor; and they desire as ardently as any German Socialist or Russian Nihilist that this state of things should cease.

Again, they hold as firmly as any continental Socialist the belief that this can only be brought about by association amongst the poor and weak; that the wider and deeper such association can be made, the more firmly it can take hold, not of this or that isolated portion, but of their whole lives, the sooner will the desired change be possible. Therefore they look forward to, and desire to promote in all ways, the organisation of labour as ardently as Fourier or Louis Blanc. Their successes hitherto, as well as their failures, have only confirmed them in this faith, the former being clearly due to adherence to, the latter to departures from, the true principles of association, as they understand them.

And they have done their best to leave no doubt upon the question what these principles, as they understand them, are. They are set forth as the definition of objects on p. 25 of the Report of the Congress held in London, in an address to it by myself. The acceptance of them by the Congress is recorded on p. 41; and they are stated as the objects of the Union in the first of its Rules and Orders, to which every member assents by joining it. They are as follows:—

"This Union is formed to promote the practice of truthfulness, justice, and economy in production and exchange.

"1. By the abolition of all false dealing, either *(a)* direct, by representing any article produced or sold to be other than what it is known to the producer or vendor to be, or *(b)* indirect, by concealing from the purchaser any fact known to the vendor, material to be known by the purchaser, to enable him to judge of the value of the article purchased:

"2. By conciliating the conflicting interests of the capitalist, the worker, and the purchaser, through an equitable

division amongst them of the fund commonly known as profit:

"3. By preventing the waste of labour now caused by unregulated competition."

They have been summarised by the General Secretary in the paper read by him, with general approval, at the Congress held at Newcastle in this year as twofold. 1. Moral—to promote truth, just dealing, and equity. 2. Economical—to prevent waste in production and exchange. And they are in truth only an application of the more comprehensive summary of principles laid down by the Society for Promoting Working Men's Associations, of which the late Rev. F. D. Maurice was president, namely:—

1. That human society is a brotherhood, not a collection of warring atoms:

2. That true workers should be fellow-workers, not rivals:

3. That a principle of justice and not of selfishness should regulate exchanges.

It would be difficult, probably, to find anyone who would have more deeply sympathised with the Socialists of the continent in the ideal of a higher social state after which they aspire, or more decidedly rejected the means by which they seek to attain it, than the late Mr. Maurice. I claim for English co-operators generally that they share both these sentiments.

The aim of our English Co-operative Union is, like that of continental Socialism, to change fundamentally the present social and commercial system. Its instrument for this purpose, as well as theirs, is association. Here, however, the likeness ends. Our co-operators, thanks to their English training, do not ask the State to do anything for them, beyond giving them a fair field, and standing aside while they do their own work in it in their own way. They want no State aid—they would be jealous of it if proffered. They do not ask that the State shall assert its right, and reclaim all land and other national wealth for the benefit of all; they want no other man's property, but only that they shall not be hindered in creating new wealth for themselves.

In this lies the broad distinction, and here the ways branch off. The Continental Socialists and Nihilists would use association for converting the State into the sole national landowner, capitalist, and employer of labour. The English Co-operative Union would use it to control and bring into obedience to the highest moral law the processes of production and distribution of material things. The difference—and it is fundamental and irreconcileable—lies in the uses to which the same instrument—association—is to be put. It would be as fair to identify those who blow up a house full of people with those who blow up a rock which impedes traffic because both use gunpowder, as to identify the English co-operator with the continental State Socialist or Nihilist because they all use association. The fact is that Co-operation, as understood and practised by the Union, is the surest protection for England from those dangers to society and property which the democratic wave is threatening to bring on many other nations.

The second misunderstanding above referred to is, however, wider of the mark than that which would identify the Co-operative Union with State Socialism, and under present circumstances more plausible and more dangerous. It need not be concealed or denied that perilous times for co-operation are at hand. The commercial success which has resulted from the methods of trading always in use amongst our united societies has gained them a host of imitators, who seem to think that some charm lies in the word "co-operative," and that the whole of their success was due to combining to purchase and enforcing ready-money payments for all goods delivered.

In all other respects these bastard associations, founded for the most part by gambling traders, follow in the old ruts. Their first objects are profit and cheapness, and they compete with each other as recklessly as any rival tradesmen. The scandalous failures which have already begun, and which will inevitably multiply, involving, it is to be feared, much loss and misery to a number of innocent persons, will soon bring the name of co-operation into discredit, and meantime may have a malignant influence on the develop-

ment of a movement which, widely as it has spread, and valuable as has been its influence, is still only in its infancy.

It is, then, the main object of the present publication to make clear to all whom it may concern that co-operation, as understood and practised by this Union, though it takes hold, in the first instance, of buying and selling, as that department in human affairs which lies nearest to hand and most needs a new and reforming spirit, has aims outside and above trade. Even in this trading department it comes into direct conflict with prevailing practice and theory, substituting "fair exchange" for "profit" and "fair payment" for "cheapness." These, it asserts, are attainable by well-ordered fellowship in work, but have never been attained, and are proving themselves every day more unattainable, by the method of unrestricted competition.

But while it seeks in the first instance to make the material business of men's lives—production, buying, and selling—wholesome and honest, it does not stop here. Its object is to work out in practice the true relations between man and man, which can only be done by frank acknowledgment of the ground upon which human society is based—that we must be fellow-workers and not rivals, brethren of one family, to whom indeed the great inheritance of this earth has been given, but only on the condition that it shall be used and enjoyed in the spirit and according to the will of Him who created it.

In the effort to carry out these principles the Union has found itself face to face with the deepest problems of human life, those which are generally known, in fact, as religious. Our societies have come to acknowledge that the mere fact of membership in a retail store involves more than paying ready money, attending once a quarter, and drawing dividends. As the years pass they find themselves constantly brought into new and more intimate relations with their fellow-members, in their own association and in the Union. In the primary sense of the word, *id quod religat*, "that which binds together," they have already found that co-operation has been a religion to them. It is well for the nation that it has been so, for the industrial history of

England during the past few years has made it clear enough that unless trade can be mastered and informed with a new spirit it will destroy the national life; and no spirit is strong enough to master and reform it except the religious spirit in the highest sense, which is the spirit of Christianity.

But religion is not only that which binds men together, but that which binds man to what is above him, to that which he looks up to and worships. It must not therefore be supposed from anything which has been said, either here or in this Manual, that the compilers, in claiming for co-operation a distinctly religious side, suppose that any co-operative union can be a substitute for the Church of Christ, or co-operative action for that conscious inward union between men and their Maker, which is religion at its highest power.

There is truth, no doubt, in the saying, "*laborare est orare*," but only potential truth. It should be written, not "*est*," but "*potest esse*"* What we do claim, then, is, that so far as outward things go—for us men, in contact with the visible things of this world, which we are meant to master, to use, to enjoy—this method of fellow-work is the right, and just, and true, and therefore the religious method, and the only one which will bind us to our fellow-men, and to the Father of men, and not divide us from one another and from Him.

What we do say, further, is, that this method of dealing with visible things is only possible, in the long run, for men who keep before their minds the ideal of righteousness, truthfulness, and brotherly love in the daily round of their working lives—who, in other words, keep before themselves the setting up of the kingdom of God on earth as the practical goal of all their efforts.

It has been, no doubt, ably maintained of late, that the worship of humanity is enough of itself to keep alive this ideal of righteousness, truthfulness, and brotherly love, and to satisfy men's spirits in their devotion to the service of mankind. The service of humanity, or, we prefer to say, of our brethren, is involved in co-operation; and we gladly

* Not "is," but "may be."

admit that "he who serves men most" is the best co-operator and member of our Union. We prefer, however, to read something more into the formula, in order to make it hold at all times, and under all circumstances. We would read it, "he serves God best who serves man most." For the witness of all times—and of none more than our own time—the experience of all men's hearts and consciences, and of none more than our own hearts and consciences—proves that he who would not get weary of serving his brethren, whom he has seen, must become aware within himself of a spirit which he cannot see but may feel—a spirit higher than his own spirit—higher than the spirits of all other men—yet working in those spirits, and with which he and they must become one before they can find and do their true work, or enter into their true rest.

THOS. HUGHES.

PART I.

THE MORAL BASIS OF CO-OPERATION.

FOR A FULL TABLE OF CONTENTS,

By means of which the course of the argument may be followed in its main outlines, see the end.

PART I.

Chapter I.

THE RELATION OF CO-OPERATION TO RELIGIOUS FAITH.

To trace the connection between co-operation and religion may seem to many persons at the present day injurious rather than beneficial to it, since they look on co-operation as a principle of union, while religion, notwithstanding the "binding" character implied in its name, they have, unhappily, been used to think of mainly as a cause of division. Nevertheless to point out this connection is a duty imposed on the editors of this Manual by the programme adopted at the Congress of Gloucester; and the consideration of what is required in such a work as that committed to them will, I think, show that the Congress was right in making this requirement.

Every important scheme of social reform hitherto proposed has been founded on some theory about the nature of man, his place in the universe, and destiny, which are precisely the subject matters of religion. To confine ourselves to the two most noted modern instances:—Robert Owen founded his system on a conception of the influence of circumstances in forming character, which was afterwards formally adopted as a creed by the body formed by him, called The Society of Rational Religionists. Again, Charles Fourier laid down as the basis of his system a theory of congenital impulses, named by him "passions," implanted in man by his Maker, which would find their satisfaction in his proposed

scheme of association, and ensure its success and the general well-being, by making labour universally attractive. Both these great reformers founded their systems on what was practically a new religion, whence the new order of society contemplated by them should arise. Co-operation, if it would be regarded as a reasonable scheme of social reform, must follow the like course, only in the manner peculiar to itself, that is, by showing that what is new in its proposals grows naturally out of what is old.

It has been the special characteristic of co-operation to start from the present, and look to the future which it anticipates as a state to be slowly evolved out of the actual, by transforming without rudely destroying it. This process co-operators have presented as the only safe road to permanent progress. If the conception is conformable to the true nature of things, it ought to hold good in regard to religion, of which, as has been said, it is the special function to deal with the fundamental relations subsisting between man and the universal power whereby he is sustained. That is, we ought to find in the religious faiths subsisting among men some one at least, and that not an insignificant, uninfluential faith, which will supply, in conceptions proper to itself, a solid basis for the modes of action through which we think that co-operation may effect the social reforms sought for by its means. Now what thus ought to be I shall endeavour to show is the fact—that the most living, influential religious faith existing at the present time—the Christian religion,—in the conception which formed its historical foundation, and is common to every body of any numerical importance professing to belong to it, does supply such a basis—and that the history of this faith has brought to the fore that application of this conception which makes it serve as a basis for social reform, pointing it out as the true outcome of the religion.

It is notorious that for many ages the great and highest aim of Christianity was considered to be the withdrawing of

men, so far as was consistent with their human existence, from all active part in the business or pleasures of earthly life, in order to fix their attention on an inner life of prayer, praise, and meditation, with acts of charity, as the fitting preparation for an unending future existence to follow this life. But the sixteenth century after the birth of Christ brought with it a great modification of these ideas, which, beginning among the nations professing a reformed Christianity, has gradually extended its influence over those who continued to adhere to the old faith. The opinion grew up that a life of active industry, accompanied by the natural pleasures of family union, if it be pervaded by the spirit of love to man, is more conformable to the will of God than a life withdrawn from such employments and pleasures, though spent in a round of prayer, praise, and meditation, diversified by acts of benevolence.

Modern society, both in Europe and America, may be said to have been built on this idea, which has continually gained ground, through the enormous development of industry in recent times, strengthened by the vast increase of scientific knowledge, till it threatens to expel as a foolish superstition the mediæval idea that the true object of individual life is to sink its individuality in union with the Divine Being.

Yet modern society itself bears witness to the imperfection of its own ideal. Against this outburst of individualism the great and rapid growth in the present century of socialistic systems, carried, at least in theory, to the extent of sinking individual possession in common property, is a protest, full of significance to those who would trace in the involved course of human affairs the footsteps of a Divine guidance. The subject will be more fully considered in a subsequent chapter. But I would remark here, that this rebuke to the excess of individualism by the common feeling which leads to these social tendencies, has its deep root in the conviction

that man finds his true well-being in devotion to a being higher than his own, which pervaded the religious thought of the middle ages, and grew up under the shelter of a vast organised system, the precursor, I trust, of another organisation destined to bear, in these later days, for the benefit of mankind, fruits such as those unquiet days could not have produced.

The ideas which I shall endeavour to trace to their logical issue in social institutions are, then, not an artificial growth forced on Christianity, but a natural outcome, whose connection with it is shown by a long historical development. The Church of the middle ages manifested herself as a powerful spiritual influence for delivering man from the burden of his own selfishness in a way which, if it did not exhaust the Divine action, but fell short of what we hope to achieve, is yet to us an example of the principle on which institutions for the common good should be founded, and an encouragement in the difficult attempt to introduce them. She has been a pioneer, clearing away obstacles, cutting out paths, throwing bridges over rivers, and thus preparing the way for the advance of the main body, which may occupy the lands and utilise them for the general good.

This preliminary work the Catholic organisation of the Middle Ages has done for us. It has taught us the enormous power possessed by voluntary associative effort, when concentrated in institutions adapted to give effect to it. It has shown us, in its great monastic orders, that large bodies of men can be held together, without any external compulsion, to live in common a life from which the ordinary motive of individual interest is excluded, and its place is supplied by motives entirely independent of this individual interest, resting upon hopes which look for their fulfilment to a future discerned only by the eye of faith. It has shown us that these remarkable results have been attained, not only in some particular ages, under some peculiar conditions of race, or climate, or locality, but in all

parts of the earth, among every variety of race or national character, and for a long succession of generations, each ready to take up and carry forward the work that its precursors had commenced or continued; with no apparent exhaustion in the efficiency of this voluntary power, so long as the arbitrary interference of the State did not oppose it. It has been left for Christianity in our age to apply to ordinary human life—which Protestants have declared to be, in their opinion, more truly divine than the monastic life—that principle of organised combination for realising a life consistent with the objects accepted by us as its true end, which our Catholic ancestors systematically and successfully applied to establish the monastic or ascetic form of life, believed by them to be the most truly conformable to the Divine will.

> We need not bid for cloistered cell
> Our neighbour and the world farewell;
> The common round, the daily task
> Will furnish all we ought to ask;
> Room to deny ourselves—a road
> To bring us daily nearer God;

says, in well-known words, a poet of the Church of England. He expresses the feeling common among the Protestant religious communities—a sentiment which I regard as profoundly true, but requiring to be qualified by the proposition that, in order to keep alive among men generally the practice of this divine principle of self-denial, it is indispensable that the current of their lives should not continually carry them in the opposite direction. In other words, there are wanted institutions adapted to do for religious principle in its application to daily life what churches have done for this principle in its application to the act of worship, and monastic institutions did for it in its application to that ascetic life, which formed the ideal of perfection for the middle ages, and still continues to do, in some measure, for the large body who adhere either to the Greek or the Roman communion.

The experience of the centuries which have passed since the Reformation furnishes what, to me at least, appears to be conclusive evidence that—however completely the liberty of individual action may be secured in any community, however generally the duty of everyone to "love his neighbour as himself" and "do unto others as he would be done by" may be admitted by the members of that community as indisputable, and however vast the increase of material advantages in that community may be, this liberty will not produce among the mass of the population a state corresponding to the ideal set before us by the Lord's Prayer, which ought certainly to be the Christian's ideal, that "God's will shall be done on earth as it is in heaven." Or, if the contrary be affirmed, I can say only that the God whose will is supposed to be realised by such a social state as this individual struggle for existence produces, can be no better than the "Unconscious Being" of Hartman; and the sooner mankind can arrive at the solution of the problem of existence proposed by that high priest of pessimism, and, by a concentrated effort of their united wills, put an end alike to the fruit of individual life and its unconscious root, the better.

But not so, I hope, have we learned the lesson of Calvary. Not this philosophy of despair are we, I trust, disposed to accept as the outcome of the unnumbered ages since the patient earth began her unwearied revolutions round the sun, setting us, according to Goethe's instructive epigram, an example of the spirit in which we should possess our souls, while she inaugurated that long development of ascending forms of being recorded in the leaves of the "Stone Book."* Individual liberty is a precious

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* If e'er I'm impatient, I call to mind
How patient the old Earth I find;
Who turns on her axis every day,
And twirls round the sun her yearly way.
Why am I here, but the like to do?
Dear Lady Mamma, I follow you.

Free translation.

possession—a late gift of Time to mankind; who, indeed, as yet, are far from having generally attained it, and when they have attained it, are for the most part very far from knowing how to make a good use of it—if by a good use we mean such a use as is consistent with that example which all Christians profess to set before themselves as showing the spirit by which human life should be guided. How then are we to make a better use of this great gift, of the power which, in Britain and many other countries that we call civilised, men now possess, to wield in entire security of person and property a command over natural forces unexampled in any former age, and yet increasing with every decade so rapidly that, but for old age and death, we might imagine ourselves about to be transformed into beings of some higher species than mankind? I reply—by inspiring the body of science with the spirit of religion; by using this material liberty as a means of lifting ourselves into the spiritual liberty of the "sons of God;" by substituting the genuine freedom of working together for the spurious freedom of working against each other; and showing that man is as competent to construct instruments of general well-being, as he has unhappily proved himself competent to construct those fearful instruments of destruction—the iron-clad fleets, the gigantic armies, the hundred-ton guns, and weapons of precision, of modern warfare.

The claim that I make for co-operative industry and associated life, to be the true outcome of the Christian religion, is not a claim antagonistic to, or condemnatory of, or a substitution for, any previous phase of that religion. It is simply a further development for which I think the time is now ripe; a new manifestation of the counsels of God for the redemption of man out of the slavery of the flesh to the freedom of the spirit; no more opposed to what has gone before it than the fruit is to the flower, or the flower to the leaf, or than primitive Christianity was in itself opposed to the Judaism out of which it sprung. It is not a new form of

worship, or a new phase of theological teaching, but a new application of the spirit which has uttered itself in worship and produced systems of theology. It is the application of this spirit to solve the great problems of practical life; how to fill up the gap between rich and poor; how to destroy the antagonism between capitalist and worker; how to make the application of science to industry ease the toil of the worker, instead of ousting him from his work; how to prevent the fact that the labourer has made the existence of other men more full of enjoyment, from rendering his own livelihood more precarious. It is to ask Christianity to do for free labour, which it may be said to have created in the nations where it has taken root, what it did for slave labour by suppressing slavery. To appeal to it to correct the evils attendant on the good of its own creation is surely no unreasonable demand.

The light of Christianity arose on a world of slave owners and slaves, a world where the free labour of men dependent for their subsistence on wages formed a very insignificant part of the toil which filled the cities of the Roman empire with their accumulated wealth. The New Testament contains no condemnation of slavery. But when the master had learned to look upon his slave as a "brother beloved in the Lord" the days of slavery were numbered. The maintenance of such a state of absolute dependence and arbitrary power was logically so inconsistent with the feeling of spiritual brotherhood involved in the idea of a new birth, by water and the spirit, into a "new moral world" of the sons of that God whose name is "Love," that, as this idea took hold on men's minds, it naturally put an end to what was thus irreconcilable with itself.

Now, what Christianity has thus done in the past, those who regard it as the mighty agent provided by God to redeem men from that slavery of the spirit out of which the slavery of the body springs—the slavery to selfishness—may fittingly ask it to do for the present and the future. We

who appeal to Christianity to evolve co-operative industry and associated life are, in truth, asking it to tame into obedience to the law of brotherhood, which is the law of reason, those energies that, left to the law of nature, can produce only "the struggle for existence" known to modern political economy under the name of free competition. Is this request unreasonable? History, I think, may assure us that it is not.

Man is at once a natural and a supernatural being. He belongs to nature by his passions and his strength, and, as a natural being, is involved in that struggle for existence dependent on the assertion of self, which is the law of all natural being—that is to say, of every creature which is unable to determine the ends of its existence for itself, but finds them determined for it by its constitution and its surroundings. The will of such a creature, when it has attained to consciousness, is guided in its actions by the pleasures or pains which stimulate it to do what is useful, or deter it from doing what is injurious to itself individually; or where, as with bees and other social animals, the welfare of the great body of individuals depends on their association—stimulate it to do what is useful, or deter it from doing what is injurious, to the society, though the individual may be in some cases sacrificed in the process. But in man there appears a higher power, linked, it is true, by insensible gradations with natural being, and dependent upon it for its own capacity to act, but standing above it: a supernatural power of will which determines its ends for itself, and uses natural powers, in the freedom of choice and with the persistency of deliberation, to do that which it has so determined. Man possesses not only Strength and Passions, but Reason. He is not only stimulated or deterred by Pleasure and Pain, but is capable of rejecting pleasures and accepting pain for the sake of objects so distant or so vast that, individually, he can scarcely hope to realise their accomplishment, yet deliberately works for them, because they are the choice

of his reason, and to him the satisfaction of his reason can become superior to the baits of any natural pleasures, or deterring impulses of any natural pains.

Now this governing Reason is in itself essentially a principle of unity. It has built up sciences, by perfecting conceptions which can give unity in idea to the endless diversity of appearances presented to us by natural beings, through the different ways in which they affect our bodies by what we call our senses; and thus has given us a knowledge continually growing more complete of the modes of action of these beings. It has created States, in order, by the unity of political institutions, to set bounds to individual selfishness, and give protection to individual weakness. The great philosophers of Greece, while Greece was yet free to act as well as to theorise, saw in the perfecting of these political institutions the instrumentality through which they hoped for the attainment by mankind, or at least by the privileged body of Hellens, of that complete social unity which was the avowed though unattained object of the political institutions of Hellas in their own age.

But they had selected a wrong road, though to a right end. Time unfolded, as the outcome of this political road to unity, the despotism of Rome. But at the epoch when the vast machinery of Roman power, consolidating its own action under the rule of Augustus, showed at once how mighty this sort of unity could become, and yet how little it satisfied what Greek philosophy demanded from the principle of unity applied to human affairs, there began to be heard a voice which, originating in a despised race, promulgated by men who made no pretensions either to the philosophical insight of Greece or the practical wisdom of Rome, and finding a response chiefly among those whom the great contemned, declared that the principle of unity was to be sought for from within, and not from without, and depended, not on political institutions, how-

ever wisely instituted, but on the union of the will of man with One who had submitted to be crucified as a malefactor, that he might resolve the discords of human selfishness into the harmony of the eternal divine love. From the faith in this manifestation of the infinite tenderness of God to man sprung up that rich crop of tender sympathy between man and man which marked the Church of the first centuries, and conquered the world, as the Emperor Julian declared, "by the ministry of tables;" by a social institution, resting on the free will of those who strove to realise in their own lives the truth that "it is more blessed to give than to receive."

It is to an extension of similar institutions, resting, like the "ministry of tables," on the free will of those who maintain them, that the social reformer who would deduce his reforms from the Christian spirit appeals, as the instrument to give effect to his desires. He looks to such institutions to put an end to the present antagonism between the owner of the accumulated labour called capital and the owner of the present labour, to which this capital is indispensable, while, in turn, it is indispensable to make that capital fruitful of benefit to its owners; or, between the man who distributes what others want and those among whom the distribution is made—an antagonism than which nothing can be more entirely opposed to the spirit animating the New Testament, or more completely incapable of removal by legislative regulations, without the voluntary help of the persons for whom the legislation is made. Surely we are justified by history in believing that, in looking for the help required to this source, we shall not look in vain.

No one, probably, will dispute that the Christian spirit, if it is brought to direct itself seriously to these objects, could accomplish them; that is to say, no one who calmly takes count of what this spirit has done in the past, and is doing in the present—for the formation and support of

cathedrals, churches, monasteries, schools, colleges, hospitals, almshouses, for the promotion of temperance, the suppression of slavery, the mitigation of the horrors of war, and its ultimate removal, and other benevolent purposes, including the spread of Christianity among non-Christian nations. That without this spirit the task cannot be performed will probably be admitted, even by those who hold that the spirit may be separated from the name, and will do its work better from the separation. No doubt there are, at the present time, many—and among them very zealous advocates of social reforms—who repudiate the name of Christianity, which to them symbolises only intolerance, credulity, and superstition. But in so far as these men are really animated by the spirit that makes social reform possible, they are Christians without intending it; men who have the spirit of Christ in them, by whatever name they choose to call themselves; and whom those who hold the Catholic Faith in the Divine nature of their Lord must recognise as true children of Him from whom all life proceeds, by that mark ascribed in the gospels to his own teaching, "By their fruits ye shall know them."

As the ultimate result of Christianity, if it is to become universal, must be to merge the present distinctions of Christian theology in the unity of a Christian life, so the opposition of the Christian and non-Christian name must merge in the harmony of a spirit which is not satisfied with any institutions but such as exhibit in action that profound *solidarité* of the whole with every part, and every part with the whole, which St. Paul held out to his Corinthian converts eighteen hundred years since as the relation that should subsist between the members of the body of Christ. But this anticipated universality of the time when Christianity and Humanity shall be seen to be interchangeable names for the same idea, does not make it the less important to point out the support which this idea has in the Catholic faith. The belief that the Eternal Father manifested to us in

the person of Christ what the power underlying all natural phenomena is in its essential character, and what we must be to become like Him, crowning, as this belief does for those who hold it, the long development of natural and intellectual forces, with the anticipation of an age when the will of man shall find its repose in voluntarily accepting the law of love, must be admitted to afford a solid basis for that idea of the universal brotherhood of mankind which historically arose out of this Catholic faith.

Now we must not forget that this Catholic faith *sums up the religious conceptions of all the cultivated races of mankind.* Religion has appeared on the earth under two great phases: (1) The belief in the immanence of the Divine in the world and its incarnation in man: (2) The belief which sets God over against the world and man. These conceptions appear to have slumbered together in Egypt; they diverged afterwards; the first giving rise to the Aryan, the second to the Semitic religions. But they crossed and spontaneously united in the Catholic faith as to Christ; where the sublime trust of the Jew wedded the philosophical insight of Greece, and, allying itself with the practical sagacity of Rome, constituted what must be called the scientific conception of religion.

On those who would separate the development of Humanity from the development of Christianity, we venture, then, to urge, as fellow-strugglers with them in the hard battle against egotistic impulses, not hastily to reject the help which the history of Christianity offers; lest in the endeavour to grasp the fruit whilst they spurn the tree that bore it, they should sink back from the law of love to the law of force; and instead of founding universally liberty, equality, fraternity, and solidarity as they desire, should perpetuate that "struggle for existence" out of which the Christian Church emerged.

Chapter 2.

THE RELATION OF CO-OPERATION TO OTHER PHILANTHROPIC MOVEMENTS.

Benevolence—goodwill to other men—is the common starting-point of all plans of social reform, the rendezvous where all social reformers must meet. From whatever side they approach these ideas—whether they appeal to the conception of Christianity presented in our first chapter, or to any other conception of it entertained, say, by members of the Greek or Roman communions, or of any other professedly Christian body; or rest upon some general conception of religion; or, rejecting any religious ground, appeal to "a stream of tendency" shown in the history of mankind, or to any other notion of man's true nature and the conduct suitable to it, resting on philosophy, on science, or on our common sense—from whatever side they come, at this gate of Benevolence they must arrive, as the door through which the way lies to social reform. Without goodwill to men generally no one would ever trouble himself about the improvement of society.

But Benevolence is no stranger among mankind. She is quite at home in our race, and has expressed, and does express herself, in a thousand plans of goodwill, with more or less successful issues. In what special relation, then, does the idea of co-operation stand to this widely active principle? I think the reply must be taken from the motto of Lord Stafford—because it is "Thorough;" because it strikes at the root of all those evils of which Benevolence, in her unceasing efforts at the present day, is only endeavouring to keep under this or that ever-fresh-growing offshoot. To anticipate shortly what will be more fully dealt

with in subsequent chapters, I would say that while Benevolence has hitherto dealt only or principally with the use of income by individuals, the co-operator sets before her the duty of dealing—1st, with that which creates income, in order to secure to all that share of income to which by their work they are equitably entitled; 2nd, with the collective use of this income, with a view to form such general conditions of existence that the income of each individual may be able to produce to its possessor as great benefits as it is capable of affording, without interfering with the like enjoyment by others. In society as it is, the determination of what income each individual shall have, and what shall be the general conditions under which it has to be used, has been left, with exceptions, important, but yet only exceptions in the case of certain works of common utility undertaken at the common cost, to be determined by what, in modern political economy, is called free competition. The co-operator maintains that it is the duty of Benevolence to obtain this determination by reasonable agreement.

It may be objected that competition is a law of nature to which all must be subject, and that, therefore, to call on Benevolence to fight against it is to impose upon her an impossible task. I admit the premiss, but deny the inference.

That the tendencies which lead to competition must always exist I do not deny. They belong to that "struggle for existence" producing the "survival of the fittest," from which man can no more withdraw himself as a natural being than he can withdraw his body, or the materials he deals with, from the influence of gravity. But why should he abandon himself and his doings to the one form of natural action more than he does to the other? He has taught iron to float on water, though gravity orders it to sink; and made the stones which would, at the bidding of gravity, fall through the air into a river below them, afford him a safe passage through the air above the water. This he has done not by getting rid of the force of gravity,

but by studying its action, and the nature of the bodies subject to it, till he has discovered how to make gravity secure his purposes in place of thwarting them. The fact that this principle of competition must be admitted to be a law of nature is, then, no ground for treating its operation as withdrawn from the control of reason. For it is characteristic of the action of reason to use natural powers for its own higher purposes, by subduing their natures into obedience to its own higher nature, without attempting to destroy them. Why should it not be able to do as much with the natural force of competition?

No doubt we pass in this case from the nature which acts on man to nature in man. We have to deal with the resistance of the impulses which naturally urge men to act to that power whose proper function is to govern these impulses by harmonising them. The need of that appeal to the influence of Christianity dwelt on in the 1st Chapter arises, as I conceive, from the fact that reason, although able to point out how men ought to act, in order to harmonise the discords of conflicting impulses, and convert the scorching heat of competition into a life-giving, cheering warmth, the fosterer of invention and incentive to progress, requires the assistance of some power capable of moving the will by the influence of emotion, to choose to do what the reason points out as fitting to be done.

But assuming that by this influence, or any other motive which those who have no faith in Christ may substitute for this faith, the wills of men are thus swayed—why, I ask again, should the natural law of competition prove less amenable to the control of reason than those other natural laws which Reason now uses, and is learning every day more completely how to use, so as to convert Nature from her master into the obedient minister to her desires?

What Benevolence has to do in order to satisfy the requirements of the co-operator, as I conceive them, I have already stated—I hope with sufficient clearness for the purpose of

this chapter. But it may be desirable to make a few observations, which, perhaps, may be useful, on some points bearing on the subject of the relation of co-operation to other philanthropic efforts.

That which has been already done by Messrs. Leclaire and Godin in France, by the Rochdale Pioneers and other distributive societies in England, and what the various friendly societies and savings banks and other institutions of a self-supporting character among the poorer classes have done and are doing in Great Britain and elsewhere, proves that if the profits of production and distribution, beyond the necessary charge for capital, became applicable for the benefit of the workers by whom they are produced, and of the population among whom they are distributed, a small percentage of the total amount would be sufficient, as an assurance fund, to provide against all the contingencies (including old age) for which Benevolence at present, by a heavy burden on a comparatively few benevolent persons, inadequately provides in her manifold philanthropic institutions.* And yet those who now devote both time and money to the support and supervision of these institutions might find a more useful field for their benevolent activity in the administration of these common funds. For they would thus confer all the benefits attending almsgiving without its manifold evils, and turn what "blesses the giver more than the receiver" into that truly Divine quality which is twice blest—which blesses "him that gives and him that takes."

In truth, although it may, perhaps, seem at first to some philanthropic persons, that in a reformed society such as co-operators look for they would feel that

> Othello's occupation's gone,

true Benevolence would gain greatly by being relieved from all that part of her work which is open to doubt, and suspicion of imposture, and allowed to expand in acts of kindness of a nature to admit of no doubt—in imparting instruction or

* See Appendix, Note 1, for a further notice of Friendly Societies, and their influence in the United Kingdom.

affording pleasure, in the solace of suffering or sympathy with delight, in helping affliction to bear its burdens, or adding to the joyfulness of lighthearted innocence.

That there is in all plans of social reform an element repulsive to benevolent feeling, as it is trained by our modern habits, I do not deny—namely, that they deal, and from the nature of the case cannot but deal, not merely with the use, but with the acquisition, of wealth; with matters of business; with buying and selling. They must face that "higgling of the market," those keen attempts to take advantage of the necessities or ignorance of others, against which Benevolence bears energetic protest. But, in truth, these immoral practices furnish precisely one of the strongest reasons why Benevolence should interfere, in order to arrest this outgrowth of the spirit of competitive struggle, by stopping the source from whence it springs. That it can be stopped I see no reason to doubt. Even in the present day these practices do not affect all commercial transactions. The conduct of many businesses is free from them, either through their magnitude, which enables their managers to fix the conditions on which they will act, or through the general practice in the particular case, as with assurance companies, which work upon tables at fixed rates. In retail sales, the habit of bargaining is most unequally diffused, existing generally in some countries, and scarcely at all in others. The most successful businesses have been carried on without it, such, for instance, as that of the late Mr. Stewart, of New York, who had one price only for each class of goods, and would dismiss, instead of rewarding, any employé who obtained more. What has thus been done partially might, it would appear, be easily done universally, among any body of men who should make it a rule to take no advantage of each other, but in every transaction to state exactly all that the other side could wish to know. In such a society all bargains would be made with full knowledge of the circumstances; and the abatement of price, inevitable if the rates

fixed by the seller in any case cannot be obtained, might be effected by methods not involving individual bargaining, such as an auction.

When we consider the great effect on the character of any people inevitably produced by these daily transactions of buying and selling, it is difficult to name any matter better deserving the earnest attention of true Benevolence than the purification of the atmosphere of trade, by the general introduction of institutions where ordinary business shall be conducted in such a way as strict morality can approve.

If these considerations are borne in mind, I cannot but hope that the indifference which many—I fear I must say most—modern philanthropists show to plans of social reform would give place to a prudent, but hearty and persevering, determination to aid them by every means in their power. The effect of such a determination would, I am satisfied, be most beneficial on the present advocates of social reform. The sort of ostracism suffered by their wide-reaching proposals, affecting the well-being of countless millions, if the future history of mankind is to be a sequel worthy of the enormous period during which the earth has ripened into fitness for being "ordered and dressed" by man, has thrown some of those who profess to call themselves co-operators off the rails, so to speak. Losing sight of the high aims and noble principles of social reform, which is nothing if it be not regarded as the introduction of

> Nobler modes of life,
> With sweeter manners, purer laws—

such as shall

> Ring out the darkness of the land,
> Ring in the Christ that is to be.

they have represented co-operation simply as a safe and efficient machinery for enabling consumers to obtain, by union among themselves, such articles as they desire to possess, reliable in quality, at the lowest possible cost. It is not wonderful that Benevolence should turn away from

such a parody of true co-operation, with an impatience perhaps somewhat unjust to the intentions of those who have proposed it, and with great loss to herself. Since in advocating the self-help on which co-operation rests, and preventing it from degenerating into selfish help, Benevolence would conquer for herself a field of action entirely free from the suspicion of selfish motives which often attends upon the Benevolence of almsgiving.

The examination in detail of the theory above noticed belongs to a subsequent part of the present Manual. I am concerned with it here only in reference to the motives of co-operative action, and to that estrangement of the body of philanthropists from this all-important work, which the considerations adduced in the present and the 1st Chapter will, I hope, tend to remove. Then may we hope to see organised into a united phalanx those who ought to be working heart and hand in this cause as the great problem of humanity, the true task, in my judgment, to which Benevolence is called in the present age;—a task to be carried on in reliance upon that Divine aid, which has never failed those who, comprehending the depth of meaning lying in the apostolic conception of the good man, as a "worker together with God," lay their hand to the plough, and do not look back.

Chapter 3.

THE RELATION OF CO-OPERATION TO SOCIALISM, COMMUNISM, AND OTHER POLITICO-SOCIAL MOVEMENTS.

The preceding chapters have spoken of co-operation in language applying generally to plans of social reform. This they have done, because it is only when regarded as a mode of action having the far-reaching scope which these words imply that the idea of co-operation acquires the importance claimed for it by the writers of this Manual, and therefore can excite the interest which, in their judgment, it ought to awaken. It may be asked, If your conceptions of the aim of co-operation are so extensive, how can it be distinguished from socialism? What is socialism, but social reform?

I would reply, The difference is this. Systems of socialism are essentially theories, embracing the whole range of relations subsisting among men, which, in one way or other, they propose to bring into conformity with these theories. But social reform, as it is presented in these pages, and is embodied in the name of Co-operation, is rather a practice than a theory. It is an attempt to introduce into the world, as we now find it, modes of action embodying principles, generally admitted among the nations called Christian, even by those who more or less completely separate themselves either from the Catholic faith in Christ, or from the Christian name, to be such as they ought to act upon; though, from various causes, they either do not act upon

them at all, but only hope that they may do so in another world, or act upon them so imperfectly and inconsistently that their action has scarcely any effect in producing such results as ought to flow from their principles. Our English co-operation, so far, at least, as it has proceeded hitherto, is an attempt founded on the belief, that these principles, when generally applied in practice, will work out true relations among men by their own operation, and would be hampered rather than aided by the endeavour to build up a complete theory of them beforehand.

Co-operation rests not on a new theory of human conduct, but on the development of the tendencies which it traces in past history, and seeks to give more entire expression to in the present and the future. The special connection claimed for it with Christianity is, in truth, only a claim for its historical filiation with the progress of humanity, which has been historically associated in the nations of Europe and America with this religion. While, as the previous chapters have argued, Christianity does present to us conceptions of the Divine action, and the mutual relations of man springing out of that action, eminently adapted to sustain our hopes and guide our steps in the arduous task which the idea of social reform opens before us.

But, to the distinction drawn now between co-operation and socialism, this special historical connection, important though it is in itself, is not essential. The essential distinction is that co-operators are those social reformers who approach the great problems of social reform with their eyes open and their hands free. Admitting the greatness of the end which the prophets of socialism have set before their disciples, they claim for the end to be greater than the insight of the prophets; and, refusing to be bound by the words of any master, investigate their social systems in the free spirit of scientific inquiry, not blindly adopting, nor having any prejudice against them. The freedom belonging

to co-operation enables the co-operator to use these systems, or any parts of them which appear to him useful, as means for the better giving effect to his ends; only he does not set them up as *systems* to which he is to pin his faith, or by which he is bound to regulate his conduct.

Fourier, for instance, unfolded, with all the anticipating minuteness of genius, the principles by which manual labour may be made attractive, instead of being so wearisome as it now usually is. Robert Owen has dwelt upon the vast influence of the surroundings of men (or circumstances as he said) on their characters. It is open to the co-operator to study the teachings of both these eminent thinkers; to adopt the suggested means of rendering labour attractive; to study carefully the influence of men's surroundings on their characters; without basing his action upon the assumption that "man's character is formed for him and not by him;" or substituting for the maxim, "Bear ye one another's burdens, so shall ye fulfil the law of love," the apophthegm "Destinies are proportionate to attractions," in which Fourier summed up his theory. The free spirit of social progress, proper to Christianity, whether it adopt the Christian name or not, will be at liberty "to prove all things, and hold fast that which is good," when it comprehends, as I trust it is beginning to comprehend, what work lies before it if it really would do God's will on earth.

So it may "prove," but I cannot think that, as a general rule, it will "hold fast" that system of communism, which has continually appeared within the Christian Church, constituting the outward life of the monastic and conventual orders, and forming the external bond of union of a number of Protestant bodies existing in the United States.*

* See "The Communistic Societies of the Uuited States," by C. Nordhoff, 1 vol. oct., 432 pages, illustrated, 16s. 6d.; and "American Communities," by W. A. Hinds, 1 vol. oct., 2s. 6d., paper, published in 1878, at the office of the *American Socialist*, at Oneida. I append a list of the names and situations of these communities, with the number of members, as stated by

Indeed, with the exception of Oneida, all these communities are either, like the monastic and conventual institutions of Catholicism, founded upon, or tend to, a practice which makes their adoption by mankind generally impossible, because, to borrow Sterne's pithy

Mr. Hinds, which may be useful to visitors to the U.S. or others who may desire to visit or communicate with any of these societies:—

COMMUNITY.	ADDRESS.	COUNTY.	STATE.	MEMBERS.
Amana	Homestead	Iowa	Iowa	1600
Aurora	Aurora	Marion	Oregon	400
Bethel	Bethel	Shelby	Missouri	178
Brotherhood of the New Life—				
Fountain Grove	Santa Rosa	Sonora	California	20
Salem-on-Erie	Brocton	Chatanque	New York	60
Harmony	Economy	Beaver	Pennsylvania	100
Perfectionists—				
Oneida	Oneida	Madison	New York	268
Wallingford	Wallingford	Newhaven	Connecticut	40
Zoar	Zoar	Tuscarawas	Ohio	254
SHAKER SETTLEMENTS		Total without Shakers		2847
Alfred	Alfred	York	Maine	....
Canterbury	Shaker Village	Merrimack	N. Hampshire.	....
Enfield	Enfield	Grafton	N. Hampshire.	....
Enfield	Thompsonville	Hartford	Connecticut	....
Gloucester	W. Gloucester.	Cumberland	Maine	....
Groveland	Sonyea	Livingston	New York	....
Hancock	West Pittsfield	Berkshire	Massachusetts	....
Harvard	Ayer	Middlesex	Massachusetts	....
Mount Lebanon	Mt. Lebanon	Columbia	New York	2400
North Union	Cleveland	Cuyahoga	Ohio	....
Pleasant Hill	Pleasant Hill	Mercer	Kentucky	....
Shirley	Shirley Village	Middlesex	New York	....
South Union	South Union	Logan	Kentucky	....
Union Village	Lebanon	Warren	Ohio	....
Waterfliet	Shaker	Albany	New York	....
Waterfliet	Preston	Hamilton	Ohio	....
Whitewater	Dayton	Montgomery	Ohio	....
			Total	5227

Mr. Hinds enumerates (pp. 154-58) besides these communities "which have existed for a number of years and attracted the public attention by their prosperity," various "socialistic experiments" in different parts of the United States. Some of these are communistic, but none of them are of a size to give them importance. Of Icaria, founded by the followers of Etienne Cabet, at Icaria, in Adams County, Iowa, Mr. Hinds gives a detailed description. It had, when he wrote, 83 members, and is not celibate. But its history hitherto is not encouraging to the hopes of forming successful communistic societies on this basis.

antithesis, "If it peoples heaven it unpeoples earth"—the practice of celibacy. Otherwise, economically considered, the results of the mode of life are, according to Mr. Hind's description, generally satisfactory. Plenty appears to be their common character—a plenty obtained without burdening the inmates with any excess of work, and that not because all the members are able-bodied; for, besides containing a large number of old people, these communities, at least in many cases, receive families of the children of persons joining them, who become a charge on the common fund. The notion that the stimulus of individual gain is necessary in order to produce industry is also negatived by these accounts, which uniformly describe the members as industrious. While at Oneida, where the advantages derivable from a united home are appreciated to an extent not shown in most of these communities, the inventive faculties of the members are actively exercised to discover labour-saving contrivances, which, in an institution where all participate alike in the common produce, are obviously an unqualified advantage to all.

The advantage is very great, but there is no sufficient reason why it should not equally exist under a system of associated labour, in any community which places at the command of its members a variety of occupations open to all, so that the labour saved in one employment may be taken up by another, without sacrificing the natural constitution of the family to the demands for union in work, made upon us by the progress of invention and the growth of capital. In truth, if we except Icaria, all these communistic societies, including Oneida, have the primary object of realising some special religious theory; Oneida being distinguished by the peculiarity that the theory of what they call the system of Perfection does not involve the extinction of the human race as a necessary consequence of its general adoption. On the other hand, it does involve the same sort of sacrifice of the family to the community,

though not carried out with a consistency so complete, as Plato provides in his ideal republic.

But Plato wrote as a Hellen for Hellens, having before his mental vision the conditions of life existing in the small republics of Greece, where a free State meant a free town. All his proposals have in view the so training a body of citizens, who would constitute the armed force necessary to protect the liberties of all against aggressive neighbours, as to prevent them from abusing, to their own private advantage, the absolute power over the lives and liberties of the other citizens, which their position gave them. With keen insight into human motives, Plato desired to free these "guards," as he calls them, from the subtle temptation to selfishness latent in that plausible excuse, "Don't think I am working for myself; but it is my duty to raise my family." Therefore, he said, the "guards" must have no individual families. All of them must be one family, supported by the body of citizens whom they protect, with whose welfare they will then be identified, and among whom, being themselves free from unjust motives, they can preserve just action.

Given the conditions of Greek life, this theory of Plato has much to say for itself. Under the altered conditions of our days the case changes. In the great States which modern times have made familiar to us, where order has wedded freedom, and the overpowering strength of the whole united community is exerted, when necessary, to restrain the governing body in any association from abusing to their own advantage the powers committed to them for the good of all, there is no sufficient reason for merging the natural dualism of human life in an artificial universalism. The striking example of the Familistère, formed at Guise* by M. Godin, has shown that it is possible to attain all the social advantages of communistic institutions —the care and training of children from their earliest years; their subsequent education; the provision within the unitary

* *Department de l'Aïsne* in France.

dwelling, to the degree permitted by the means of its inhabitants, of whatever can assist want, promote convenience, or facilitate enjoyment; the creation among its inmates of an active concern for each other's welfare, by the part which each is able and invited to take in this or that branch of the general administration;—while yet the inmates possess a domestic privacy more complete than can be enjoyed by the occupants of ordinary town dwellings; earn various incomes, according to their capacities; have entire liberty of disposing of their own property; and, in short, retain all the individuality of natural life, superadding to it an associated life which makes this individual life more full of enjoyment as it becomes less selfish.

It may be urged, perhaps, that if the last proposition is true, a system of complete communism would increase enjoyment to the highest degree possible, by extinguishing selfishness altogether. This was apparently the idea of Robert Owen, who, in consequence, believed that the attractions of a communistic life to all who ever experienced them would be so great, that the system, once introduced, would rapidly spread over the earth. But he overlooked the fact that the happiness which an unselfish spirit does produce to its possessor, according to the uniform experience of all who ever strove to attain it, comes from within, and cannot be imported from without, whence can come only, the occasions where this spirit may display itself and thus increase its energy by the opportunity for its exercise. Now, these occasions would be afforded by an associated dwelling, which left the homes of its inmates in their individual distinctness, but placed along-side of them, as objects of the common care, institutions conducive to the general welfare, not less completely than it can be by a system where this domestic life itself is made a matter of common regulation. Moreover, the danger would be avoided of that constant jarring which must be liable to arise between the general regulations and the variety of individual tastes,

wherever the distinction between public and private affairs has disappeared, by the public life having swallowed up the private life.

Thus then, the relation between co-operation, as a system of association, and communism, resembles that subsisting between certain mathematical lines, which may indefinitely approach, but can never touch. The spirit of true co-operation will lead those on whom it has taken hold to feel dissatisfied with any appropriation to themselves of advantages capable, by their nature, of communication to others who are excluded from them. Obviously, in proportion to the degree in which this spirit is the living principle of conduct among any associated body, its internal constitution will spontaneously approach communism. All will feel themselves to be trustees of their natural or acquired powers for the general good, and ask only to share in this good equally with those to whom they impart it. But between communism, as a rule, and this communistic feeling, there must remain always the difference that there is between law and gospel, between thou shalt and thou wilt, between the freedom of the self-governing will and the yoke of submission to a majority.

The regard for individual freedom which thus distinguishes co-operation from communism, distinguishes it also, though still more emphatically, from all attempts to attain the end of free association by the compulsory intervention of the State. Now, this is the aim of the theories of socialistic legislation which have, of late years, fascinated the sober judgment of large masses of the population in Germany, in whom long habit of subjection to State regulation may be pleaded in excuse for their notion that the State could do everything they desire if only it would. But the same idea appears to have taken hold also on the free life of the United States, perhaps, from the opposite habit of the people, to look on its own will uttered through the ballot box, as irresistible. The objection to this system, in the peaceful form proposed by Ferdinand Lassalle, who urged

only that the State should use the common purse to obtain for the mass of its members the means of self-employment, has been very clearly stated by Dr. Schulze-Delitzsch in his speeches and lectures. For, whence is the State purse, if it is not swelled by forced contributions from the rich, to be replenished except by the very persons to whom it is to give employment?* If, however, to avoid this difficulty, the theory is carried to the length advocated by Karl Marx, who would confiscate the property of the richer classes for the benefit of the general body, into which they are to be compelled to sink by the might of the strongest, then, in opposition to such a tendency, however it may originate, it must be emphatically asserted, from the point of view taken in these pages, that only by free self-help can co-operation procure for man the good claimed in them as capable of being produced by it. Because its whole power comes from the acceptance by the will of man of that Divine law of love, affirmed by us to be the true law of humanity, on which the well-being of mankind depends.

If even in political life those "who take the sword shall perish by the sword," as the Gospel declares, and historical experience has confirmed, with an uniformity of result disguised only by the fact that in many nations the assertion of strength has been accompanied by the assertion of principles of eternal life which have qualified the action of this principle of death—assuredly, to think that the victory of reason is to be earned by the exercise of force, and the reign of love to be the natural fruit of a reign of terror, must be the maddest of mad delusions.

Not by cutting the Gordian knot can the genius of social progress found its beneficent empire. At the present day, in England most certainly, and, I believe, in every Christian European country, except, perhaps, Russia, and assuredly in the United States, the road to a peaceful social revolution, fraught with unmeasurable benefits to the mass

* See Appendix, Note 2. on Lassalle and his system.

of the population, and attended by injury to none—except it can be called an injury to shut men out from the hope of future gains to be made out of other men's pockets—is open to the whole population, by free association, for objects which recent experience has proved that association can successfully effect, if only the masses, who may thus benefit themselves collectively and individually, are willing to associate. If the blindness of selfish interest prevents them from so associating, all the laws which could be passed, to give them the benefits of association while they are strangers to its spirit, would be as powerless to quicken true social life—

> As are the blasts of autumn wind,
> Which through the withered foliage sing,
> To call forth from the sapless boughs
> The bloom and verdure of the spring.

Oneida Community.—Since this chapter was in type the community, on the proposition of its founder, Mr. J. D. Noyes, upon the 20th August, 1879, abolished its peculiar marriage institutions; and is to consist in future of "two distinct classes, the married and the celibate, both legitimate but the last preferred." (*American Socialist*, 1879, No. 36.) Whether this new form of communism will prove as enduring as the one it has superseded must be left to time to show. Mr. Noyes expressed his confidence at the time of the change that it would be equally enduring. But he has since written: "Communism, in combination with complex marriage, was comparatively a simple construction which we thought we had pretty well mastered. But communism, in combination with monogamic marriage, is a very complicated and delicate machine, which we will have to study and work upon a long while before we shall dare to recommend it, or to set up for public instructors in the management of it. It is substantially an untried problem. Even Paul's platform, to which we have committed ourselves, cannot help us in the details, because he had not absolute communism for one of the factors as we have."—*American Socialist*, 1879, p. 388.—The *Revue du Mouvement Social* for May, 1881, p. 173, contains a statement of the recent transformation of the society into a company with a collective property represented by shares, held in separate ownership which justifies the doubt expressed above.

PART II.

THE ECONOMICAL BASIS OF CO-OPERATION.

PART II.

Chapter 4.

THE RELATION OF CO-OPERATION TO COMPETITION.

Competition has been more than once admitted in these pages to be a law of nature, a part of the "struggle for existence," by which all nature is pervaded, applied especially to those conscious agents who can compete with each other for the occupation of any locality, or the enjoyment of any object which more than one of them may desire to occupy or enjoy. The more varied the faculties, the more diversified the surroundings of any such creatures, the stronger must be the tendencies to competition called forth in the beings thus circumstanced; whose desires must in such a case in truth compete with each other, the stronger expelling, or, at least, overpowering the weaker. Man possesses the most varied faculties of any inhabitant of the earth, and from his facilities of locomotion, and the ability gradually acquired by him through the progress of invention, to transport the produce of one part of the earth to other distant parts, can, in a certain sense, make the whole earth part of his surroundings. In man, therefore, this competition of desires naturally rises to greater intensity than in any other creature known to us. But, in itself, so long as any body of men remains in the natural state of every animal capable of existing, namely, the state of having access to the means of subsistence, the natural law works for good, by tending to diversify the pleasures, and through this diversity to stimulate the industrial activity of the human beings subject to it.

In speaking of the good attending the natural competition of various desires among men who have at their command ready access to the means of subsistence, I assume the absence of violence. Of course, I am aware that the assumption is very far from borne out by the history of mankind. Only very slowly, and still imperfectly, has the natural disposition of the stronger animal to seize on what it desires by pure strength been brought under such control as exists within the civilised States of the present day; where, however, the good is qualified by evil in another way soon to be stated. But, assuming the co-existence of these two conditions—the absence of violence and command of the means of subsistence—I say the competition of desires among men would be essentially beneficial; because, admitting of satisfaction only by exchange, it stimulates the inventive faculties of one man to produce something desired by other men, that he may be able, by satisfying their desires, to satisfy his own. For thus is overcome that apathetic indolence into which savage races are prone to fall, shutting themselves out by it from intellectual progress, and consequently, too, from moral progress, which is impossible when the intellect slumbers. Thus, too, with the growth of more numerous wants may arise also that greater refinement, which is the condition of æsthetic taste.

Long periods may elapse in the history of a nation during which this natural competition of desires continues to operate to the general advantage of the citizens. It continues thus to operate so long as, at least in the great majority of cases, there is no question of the means of subsistence depending on the power of individuals to exchange the produce of their own labour for that of other men; so long as the competition is between desires, affecting only the enjoyments of life, but not the means of living; which, therefore, cannot be said to exercise a pressure greater than that healthy stimulus to inventive action above noticed. But, as population multiplies, as the cultivation of the ground, followed as it

always has been in some shape or other by its appropriation, shuts out an ever-increasing number of the population from the direct natural means of obtaining their subsistence, and drives them to depend for their living upon their success in exchanging what they make only in order to exchange it, the natural law of competition begins to show its inadequacy to satisfy the requirements of reason. Instead of stimulating the industry of the worker to make it more fruitful of benefit to him, by the competition of his own desires against each other, it begins to lessen the benefits of that industry by the competition of one worker against another, to obtain the means of living by underselling each other's labour. The process once begun has a continual tendency to extend, and draw in perpetually an increasing proportion of the population under the wheels of a competition which has ceased to be beneficial to them, unless from any cause the demand for work should grow faster than the number of workers, when the competition for their work would begin to tell in their favour.

Now, the chance here stated must mainly depend upon two circumstances—(1) the rate at which capital tends to accumulate in any country; (2) the degree of enterprise in its employment existing in that country; while this very accumulation and enterprise, so long as they are employed—not on account of the whole body of workers, but by individuals who endeavour to make out of them a special advantage for themselves—have a constant tendency to destroy, by the competition among the employers, the benefits which, in another way, they tend to produce.

When the channels to which the employment of capital shall be directed are determined, not with a view to the general interest by a careful study—of the existing demand for any class of articles, of the means of supplying it, of the probability of an increase of consumption in that class of objects, and of the prevention of waste in making articles not wanted —but simply by the expectation entertained by this or

that person, or group of persons, of reaping individually some special benefit from the enterprises, the determination what enterprise shall be selected is very likely to be based on the knowledge or belief that some one else has made large profits out of that particular work; and, therefore, that there is what is called an "opening for business"—in other words, a chance of snatching some of these profits away by offering to the purchaser somewhat lower terms. Now, in order to unite these cheaper rates with the desired profit, there is one easy way,—to diminish the cost of production. Hence there arises out of the struggle of the owners of capital amongst each other for possession of the branches of business believed to be the most profitable, a tendency to reduce the wages of labour, to which the workers, notwithstanding all attempts to arrest it by union for this purpose, may find themselves driven to submit, after vainly using up all their own resources in a fruitless resistance, on the principle that half a loaf is better than no bread. The history of the coal, iron, and cotton industries, during the last four or five years, furnishes a striking illustration of the proposition advanced here; which must not be confused with a denial of the great benefits that have been conferred on mankind through individual enterprise, where it has been directed to perfecting and developing new processes or discoveries, and thus has multiplied the means of human wellbeing, by employing the labour saved to produce some desirable object hitherto unknown.

But this great triumph of human genius, the progress of invention, with its marvellous results, multiplied as they have been of late years with a rapidity unknown, I may say undreamt of, in former ages, furnishes an additional and very striking illustration how impracticable it is to found a human society satisfactory to the demands of reason, upon the action of the natural law of competitive struggle left to itself. It is almost impossible to estimate, with any approach to accuracy, the increase in the productive powers of the

inhabitants of Great Britain during the last 100 years, arising from the introduction of steam as a motive power, and the growth of machinery connected with its use. Still more difficult would it be to estimate what might have been done by the use of this "ministry of fire," to which, *pace* Mr. Ruskin, I look as the great magician who shall charm away in the world of harmony the ills which he produces in a world of struggle—if his mighty agency had been systematically used for the common welfare as reason would prescribe. But a powerful picture has lately been drawn, not by one person, but by a Committee of the American Social Science Association, in a paper read at its meeting at Cincinnati, in 1878, of the progress of machinery in the United States, where the changes brought about have been more rapid, and, therefore, more startling than with us; while the fact, that in the United States enormous tracts of fertile land are still uncultivated; that, in the cultivated parts the laws of primogeniture and practice of entail do not prevail; that no vast bodies of men are withdrawn from production while maintained at the cost of the producer, either for military or naval purposes; and that there is no fetter on individual enterprise, which is generally remarkably active, makes the picture of the results which have come from the progress of invention under its influence the more striking.

At the commencement of the present century very little labour-saving machinery was in use. Then the farmer's best plough was of wood, iron-shod, drawn by from one to four or more yoke of oxen; one man to drive the team, another to hold the plough, and often another to keep it clear. Result—say about one and a half acres ploughed per day, by, say two men. Now are used ploughs in gangs of two or three, or more, of polished steel, drawn by horses, controlled by one man who rides at ease. Result—five or more acres per day, ploughed by a single man, and much better than by our fathers. Or steam is used, with still greater results, ploughing an acre or more an hour.

Our fathers sowed their seed by hand, taken from a bag slung from their shoulders. Now a machine, controlled by any boy who can drive a single horse, will do more than three times the work in a given time, and far better. Similar changes have been made in all the preliminary processes of agriculture.

When the grain was ripe for the harvest our fathers would go into the field with their sickles in their hands, and a long day of hard work woul result in one-fourth of an acre of grain per man. Now, a man will take a reaping machine drawn by one or two pairs of horses and reap his twenty or more acres per day, one man now doing the work of eighty but about fifty years ago.

In the case of the sickle the day of our fathers would exceed, rather than fall short of, fifteen hours. But I estimate upon ten hours for a work day.

The reapers here referred to are those in common use in New England and other places where the land is quite uneven, rough, or hilly, having cutters about five feet long; but for the great grain regions of the West, for the smooth, flat, or prairie lands of Illinois, or other sections of the valley of the Mississippi, and in California, cutters are made and in common use of ten and twelve feet in length; some fifteen and eighteen, and even twenty-four feet long, are used, cutting swathes of these widths, and proportionately is the reaping hastened and muscular labour displaced.

Our fathers bound the wheat in sheaves after it was cut, and stored it in their barns for the winter's work for themselves, their boys, and their men-servants, in thrashing it with flails. Now, machines are sent into the field, which gather it up and pile it in great heaps, where it is taken by other machines, and in a few hours, or a few days at most, it is thrashed, winnowed, sacked, and ready for market.

But in California machines are made and used which at one and the same time, in moving over the field, cut the grain, thrash, winnow, and sack it, and the filled sacks are left in rows, where, but a few moments before, stood the golden grain, untouched, inviting to its harvest.

For our great (Indian) corn-crop the corn planter is used, as is the seed sower for similar grain. Then, instead of using the hoe, as did our fathers in working their corn, where a man found a hard and long day's work in hoeing half an acre, a man or boy will now seat himself upon a cultivator, with a pair of horses before him, and work an acre an hour; one man now doing with this machine as much as could be done by twenty with hoes. Please bear in mind also, that the ploughing with our modern ploughs, and cultivating and working with our modern cultivators and harrows, so improve the condition of the ground as to make a marked increase in the crop. After the corn was harvested our fathers would turn a shovel upside down over a box, sit on it, and drawing the ears of corn with vigour across its edge, shell twenty bushels in a long day; and hard work it was. Now, two men will take the ordinary improved corn-sheller, and shell twenty-four bushels in an hour, or 240 bushels in a short day; leaving out of account the difference in the length of the day's work, this shows that six times as much is now done with this machine as our fathers could do by the old methods. With the three classes of horse power machines, two men will shell 1,500, 2,000, and 3,000 bushels respectively per day of ten hours; one man and machine now doing the work of thirty-seven and a half, fifty, and seventy-five men respectively, without machinery.

So also in our important hay crop, the machine power is first put in, one man with team cutting as much grass as twelve men with scythes; then follows the tedder, with a man and horse to scatter and turn it, to facilitate its drying, doing the work of twenty men with the hand-fork, and so much better as to reduce the time between cutting and harvesting at least twenty-four hours. Then follows the horse-rake, raking twenty acres a day, while a man with the ordinary hand-rake can rake but two. Here the machine and man do the work of twelve, twenty, and ten men respectively with the old appliances.

In all these operations in agriculture there is a displacement of labour, by improvements in machinery, of from one doing the work of three in sowing the grain to twelve and a half in ploughing, and three hundred and eighty-four in cutting grain at harvest, according to the work done, and the class of machinery used for the particular operation.

And machinery digs potatoes, milks the cows, makes the butter and cheese. There is now nothing in food production without the labour-saving process.

Our fathers, with all their boys and men-servants, had a full winter's work in thrashing their wheat, shelling their corn, etc., and getting the small products to the mill or the market. Now, after machinery has done its work in the field and barn, the iron horse drags the product over its roads of steel for hundreds and thousands of miles, at less cost and in less time than it took our fathers to transport the same to distances not greater than fifty miles. Upon those roads where our fathers had hundreds and thousands of men and teams constantly employed in hauling products to market and goods to the country, nowhere now is a man or team so employed—men and animals are released from all that labour—new forces take up the work, guided and controlled by comparatively few minds and hands. Even our cattle and hogs are no longer required to walk to the shambles; the iron horse takes them to the butcher, labour-saving processes slaughter them, dress them, prepare their flesh for the market, for the table, and stop only at mastication, deglutition, and digestion.

To-day, one man with the aid of machinery will produce as much food as could be produced by the naked muscle and tools of a score of our fathers. There is now no known limit to the power of its production. In consumption there is no corresponding increase. Our fathers required, obtained, and used as many ounces of food per day as we do. It might have been different in kind and quality—nothing more.

Not long ago the farm found constant employment for all the sons of the farm and many of the children of the city. Now, the farm furnishes employment for but a very small number of its sons, and that for a very few weeks or months at most in the year, and for the rest work must be had in the cities and towns, or not at all.

Here we find the true reason for the stagnation in the population of the older agricultural sections, and abnormal growth and crowding of the cities.

In the time of our mothers they, with all their daughters, had an abundance of employment in their homes. Throughout our country every

farmhouse possessed its looms and spinning-wheels. From the sheep reared upon the farm was the wool taken and carded by our mothers ready for spinning. The flax grown upon the place was by our fathers broken and hatcheled by hand, and made ready by the women folk, who, day after day, week after week, month in and month out, for fully or more than one-half of the year, were all constantly employed in cardlng, in spinning, and in weaving the woollen and linen cloths that clothed the family, or were traded at the store for tea and coffee, and sugar, or other necessaries or luxuries of life. The household music of that time was the hum of the large spinning-wheel, that rose and fell as the spinner receded or advanced, in concert with the more steady flow of the tones of the flax-wheel, as, with foot on treadle, other members of the family, or women servants, spun the flax which was changed to linen yarn or thread. At the same time the constantly repeated rattle of the shuttle could be heard as the dexterous hand sent it flying through the warp to add another thread to the web, followed by the stroke of the swinging beam. These operations were in constant progress in all the farmhouses, and a very large portron of the town houses.

The never-ending labour of our grandmothers must not be forgotten, who with nimble needle knit our stockings and mittens. The knitting needle was in as constant play as their tongues, whose music ceased only under the power of sleep. All, from the youngest to the oldest, were abundantly employed, and all decently clothed.

Now all is changed. Throughout the length and breadth of our land the hand card, the spinning wheel and the hand loom are to be found only as articles without use, kept as curiosities of a past age.

Now the carding machine, machine spindles, and power looms have taken their places, and the labour of one pair of hands, guiding and controlling machinery, turns out a hundred yards of cloth where but one yard was produced by our mothers.

The occupation of our grandmothers also is gone ; no more does the knitting needle keep time to the music of their tongues. The knitting machine, in the hands of one little girl, will do more work than fifty grandmothers with their needles.

The consequence is, there is no more work at home for our farmers' daughters; they also must seek the towns and cities, where they find their sisters equally idle, and in thousands are found upon the streets spinning yarn and weaving webs, the warp of which is not of wool, neither is the woof of linen.

So the sewing machine has been generally introduced, and where formerly all the sisterhood were expert seamstresses, now many hardly know the use of the needle; the machine relieves them of this labour also.

Our fathers in building would begin at the stump, and with their hands work out all the processes of construction. With their whip-saws they would turn the logs into boards; they would hew the timber, rive and shave the shingles; dress the tongues and groove the flooring ; dress and prepare all the lumber for doors, windows, and wainscoting; make the doors and windows with their frames; work out mouldings, ornaments, and finishing

of all kinds. With their hands and feet they worked the clay for their bricks, and moulded them by hand. A house carpenter would then, with his hands, from the forest, build and finish a house from sill to ridge-pole, and was furnished with all the tools to do it with, many of which he also made.

Now all these various processes are wrought out by machinery. Machinery makes the bricks and saws the logs; the planing machine does the tonguing and grooving; the moulding machine makes the moulding; the doors, the windows, the blinds, the shingles—all, everything is done by machinery, and muscle is required only to put the parts together and in their places. Machinery does nine-tenths of the labour, and muscle the little remainder.

We will note the work of some half dozen of the machines now in general use in building and carpentry. The circular saw, controlled by one man, will saw more in one hour than can be done in ten hours with a hand saw; with the moulding machine one man can work out more mouldings than ten men by hand; in planing, the planing machine, controlled by one man, will do the work of fifteen or twenty men with hand planes; in cutting mortises and making tenons, one man with a machine will do the work of ten men by the old methods; with a jig saw he will do the work of eight men with the old tools; and with the hand saw will do the work of twelve men by the old methods. These facts show a general displacement of muscle by machinery of at least 90 per cent in our great building interests.

The Crispins of our fathers' time were thorough boot and shoe makers, and a numerous class. But now, after labour-saving processes have killed the ox and skinned him, and tanned his hide and dressed it, it does seem as if the leather was put in at one end of a machine, and at the other end is delivered a shower of boots and shoes, caught by girls and boys.

Until within the last twenty years all the watches worn in our country were of European hand-make, mostly English and Swiss—a business in those countries that employed thousands. But within the time mentioned, in Waltham, Mass., and in Elgin, Ill., two establishments commenced making machine watches, followed quite recently by some half-dozen other establishments in other places; and now in this country there is no more sale for hand-made watches. Swiss and English are alike knocked out of time; large communities in those countries are in great want—absolutely destitute because of our machine movement. The hand watchmaker also must find other employment, if he can.

Even the graders of our towns, cities, and roads are displaced by machinery. The pick and shovel, wielded by brawny arms, until within a few years were the only forces used. Now the steam paddy displaces brawn; the pick and shovel are too costly and too slow. In San Francisco its hills, covering miles of territory, have been removed by labour-saving processes. The steam paddy, controlled by two men, digs down and removes the hills at the rate of two or three scoops to the cartload, and then in trains of a dozen or more cars are run to and dumped into the bays and hollows to be filled, compelling thousands of muscular workmen, with their picks and shovels, horses and carts, to find other employment.

Twenty-five years ago the miner in California and Australia washed his gold in a pan, or in a cradle into which he had placed a couple of shovelsful of earth, rocking the cradle with one hand and pouring in water with the other. Now, the gold miner conducts the water from some high point to a favourable position over his placer, giving a large fall, and from that position in hose to the washings, where, rushing with irresistible power through a small nozzle, it is turned against the solid hills of dirt, gravel, stone, and cement, which it cuts down, dissolves, and through sluices carries miles away to a favourable place for dumping, leaving the gold deposited in the sluice. In this manner hills 300 and 400 feet high, of the hardness of stone, melt and disappear like a bank of snow before the summer's sun; half a dozen men, by this labour-saving process, doing the work that would require an army with picks, shovels, and cradles only.

Now, let us see what have been the general effects which have resulted from the use of labour-saving machinery. I will briefly sum them up in a few distinct conclusions.

1. It has broken up and destroyed our whole system of agriculture as practised by our fathers, which required the whole time and attention of all the sons of the farm and many from the towns, in the never-ending duties of food production, and has driven them to the towns and cities to hunt for employment, or remain in great part idle.

2. It has broken up and destroyed our whole system of household and family manufactures, as done by our mothers, when all took part in the labour and shared in the product, to the comfort of all; and has compelled the daughters of our country and towns to factory operations for ten or twelve hours a day in the manufacture of cloth they may not wear, though next to nakedness in the shivering blast; or to the city to ply their needles for eighteen or twenty hours a day, in hunger and cold; or to the street in thousands, spinning yarns and weaving webs that become their shrouds.

3. It has broken up and destroyed our whole system of working in wood and iron and leather in small shops of one, two, or it may be half a dozen workmen, in every town, village, or hamlet in the country, with blacksmith shops in near neighbourhood upon every road, where every man was a workman who could take the rough iron or unshaped wood and uncut leather and carry it through all its operations, until a thoroughly finished article was produced, and has compelled all to production in large shops, where machinery has minutely divided all work, requiring only knowledge and strength enough to attend a machine that will heel shoes or cut nails, or card wool, or spin yarn, or do some other small fraction of a complete whole.

4. It has broken up and destroyed our whole system of individual and independent action in production and manufacture, where any man who possessed a trade by his own hands could at once make that trade his support and means of advancement, free of control by any other man, and has compelled all working men and women to a system of communal work, where, in hundreds and thousands, they are forced to labour with no other interest in the work than is granted to them in the wages paid for so much

toil; with no voice, no right, no interest in the product of their hands and brains, but subject to the uncontrolled interest and caprice of those who, too often, know no other motive than that of avarice.

5. It has so enormously developed the power of production as to far outstrip man's utmost power of consumption, enabling less than one-half of the producing and working classes, working ten hours a day, to produce vastly more than a market can be found for; filling our graneries, warehouses, depôts, and stores with enormous amounts of products of every description, for which there is no sale, though never before offered at such low prices, with multitudes of men and women in the greatest want—being without food, clothing, shelter—without work, and consequently without means to obtain the simplest necessaries of life.

6. It has thrown out of employment substantially one-half of the working classes. In fact, it has utterly destroyed all regular or constant employment for any considerable class in any industry, and is constantly and steadily displacing able and willing men, and filling their places with women and children; leaving no place to be filled by, and no demand for, the constantly increasing numbers developed in our increase of population, in this way adding to the number of the unemployed. It takes married women in thousands from their maternal cares and duties, and children but little more than infants from the schools, putting them to the care of machinery and its work, until quite one-third of the machine tenders in our country are women and children: thus breaking down the mothers, slaughtering the infants, and giving employment to any who obtain it only upon such conditions of uncertainty, insecurity, competition with the workless, and steady reduction in wages, as create a constant struggle to obtain the little work they do have, and get such compensation for it as will barely support life even when in health.

These points show clearly the changes which have taken place in all our industries within a period of little more than half a century—changes greater than the world has before known during its whole existence.

Surely such a picture as this, relating to a country where circumstances are at present so favourable for securing the welfare of the masses, as is the case in the United States—a country not long since regarded as the paradise of the working man—should lead to the most serious consideration whether the universal freedom to struggle can produce the universal good often ascribed to it; whether this "law of nature" can be the true law of life for reasonable beings, and is not rather a law to be studied and made subservient to human progress, but not one which can form the solid basis of a human society.*

* See notes on pages 56 and 67.

It is my position that this is the case—that human work ought to be carried on upon a system not of struggle but of fellowship, where the results of the common labour are distributed with equity, and the conditions of life generally are wisely adapted to facilitate the use of these results in the way which will enable the mass of the population to derive from them the largest attainable measure of advantage.

It is my position that arrangements may be made by which such effects as those above indicated can be produced, without in any way interfering with the liberty of anyone to deal with their own property as they please, so that they observe the general conditions necessary for the common welfare; without any attempt to effect an "equal division of unequal earnings;" simply by studying the natural law of competition to determine how to obtain from it the good which it may yield, without the evil now accompanying it. Let us examine this matter calmly.

To what cause have we found that the injurious effects traced out above are attributable? Mainly to this—that the progress of industry, when we allow it to adjust itself by the natural law of competition left unrestrained, separates a perpetually increasing proportion of the population from the natural condition of life—the direct access to that minister of the Divine bounty, our common mother Earth, to obtain that gift of food which she is not niggardly in bestowing when applied to in a fitting manner.

That the appropriation of the land by individual ownership will certainly lead to this result where that appropriation is left at liberty to settle itself, we see from our own experience. That this effect cannot be prevented, even by an interference with the rights of ownership so considerable as prevails in France, where the law apportions the lands owned by anyone at his death among his children, we see by its effects there. For, though this law has been general in France for nearly a century, and the practice of sub-

division in many districts was in full force in the sixteenth century, and has been carried to an extent very injurious to the effective cultivation of the soil, which, with a climate better suited than that of England to the production of wheat, does not yield on an average two-thirds of the amount of English produce; still, the total number of landowners did not exceed one-tenth of the whole population (3,800,000), according to the return of 1866 when Alsace and Lorraine were still included in France, of whom 3,236,000 were actual land occupiers; while the tendency of the rural districts to become less populous from migration to the towns, so marked in England, and which the statement above quoted shows to be rapidly increasing in the United States, is beginning to show itself in France also, as appears from the subjoined table*:—

	Towns with Population over 10,000.	
	Number.	Total Population.
1866, including Alsace and Lorraine..	186	7,214,354
1872, without Alsace and Lorraine....	190	Not stated.
1878, „ „	204	7,898,915

The largest increase was in the towns of over 200,000 population. The next largest in those between 30,000 and 40,000. The Department of the Seine, which includes Paris, showed an increase between 1872 and 1878 of 163,438. Now, the population of France has, for the last quarter of a century, been nearly stationary, and the proportion of births is greater in the country than in the towns, therefore the increase in the towns must be due to a decrease in the rural districts.—*Devoir*, March 30th, 1879.

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* This decrease of the number of residents in the rural districts must not be confused with a decrease in the number of landowners, of whom the statement made above shows that, in 1866, not quite 86 per cent were land occupiers. The French peasant farmer does not, or at least did not in 1866, on an average, raise more than 16·6 bushels an acre ("Journal of the Statistical Society," 33, p. 167), while the English average is for the whole country 26½ bushels, with far higher returns in many parts. (Grey's "Enigmas of Life," p. 299.) And as the whole tendency of modern agriculture is to displace manual labour by machine labour, because it gives larger returns for the same cost, the probability appears to be that the French landowner-labourer will gradually disappear, from the fact that his income as owner will be greater if he receives it, say, as dividend from a company to whom he lets his land, than if he takes it as the surplus above the ordinary wages of labour paid to himself out of the produce of his lands. The subdivision of the soil in France varies very much in different parts of the country. The report of the Commission, of which M. T. de Morney was the head, appointed by the late Emperor in 1869, to inquire into the state of French

Now, if the case be as is here stated; if the tendency of competitive industry is to separate men from the natural source of life, and the injurious effect upon the worker is directly traceable to this separation, can we show that in co-operative trade and industry there is any natural tendency in the opposite direction? any mode of action which, counteracting this injurious effect of competition, may, as it becomes general, leave us in possession of the good arising from this natural force without its evil? I think that such a natural tendency may be pointed out, and I will endeavour to bear out this position by shortly tracing the way in which co-operation can deal with the competition of existing society, in which, clearly, it has to grow up if it ever takes its place as an important influence in human affairs. This method essentially consists in using the resources put into our hands by the present system, in order gradually to replace it by another where the struggle of interests shall give place to their reasonable adjustment. To begin with the theory of co-operative distribution, What is it but a union of consumers, who say, Why should we run about to this or that man, who, for his own advantage, undertakes to supply what we want, and is under continual temptation to defraud us, because his interests and ours are opposed? Why not unite to obtain what we want on the best terms, namely, by paying ready cash for it, through persons appointed by ourselves, in whom we begin by having confidence, and all of whose acts are open to us; with whom we make definite agreements for payment for their services; and whom, if there is ever occasion for calling their conduct in question, we can remove?

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agriculture, states that in one commune in the department of Meuse, 270 persons held 832 hectares (2,080 acres), divided into 5,348 plots, or an average of a little more than one-third of an acre per plot, and 7·70 acres to each person. ("Journal of the Statistical Society," 32, p. 225.) The general average for the whole country, excluding woods and forests, is stated to have been, in 1866, 26·25 acres, 56 per cent of the whole number holding less than 12·5 acres. ("Journal of the Statistical Society," 32, p. 168.) See Appendix, Note 3.

Plainly, here is a step, and a very important step, made towards the substitution of reasonable accord instead of competitive struggle in a class of transactions of daily occurrence, yet a step such that its success is entirely within the power of any moderately numerous number of persons, who have the good sense to take it, and the patience to persevere in what they have undertaken. This is the first step to get free from the meshes of competition. It is a step in no degree involving any loss of the advantages which competition may have brought within our reach in obtaining the articles to be distributed, or the neglect of any means of economising labour, or increasing convenience or efficiency in the process, introduced by it. It is simply saying, This act of our daily lives shall be performed so as to bring with it the least of cost and the most of confidence attainable; and, as a most valuable means to this end, under the condition of cash payments, with no capital needlessly lying out unproductively; no bad debts swelling the cost to those who pay by the loss from those who do not.

Now, on this solid foundation, when it has attained a breadth proportioned to its solidity by the multiplication of separate centres of supply, it becomes possible to build with equal solidity, and without any departure from the accustomed methods of business the further step of a central association, which may be to the separate stores what they have been to these individual members—the means of concentrating their purchases, and thus enabling them to be made on the best terms, from their magnitude, and by the best judges, from the greater power of securing the services of the persons best qualified to judge, which one wholesale establishment must possess over a number of retail establishments. While associations of this kind may, by a further application of the same principle of union, be federated among themselves for any purposes going beyond the separate resources of any one of them, such as the importing any of the articles they require in ships of their own; and thus, without departing

from the usual habits of competitive business, may apply for the advantage of the co-operative union whatever arrangements competitive trade has brought men to use in these businesses for their private advantage.

With this union for the means of transit, which may apply to land as well as water, we come pretty well to the end of what co-operation has to do in the province of distribution. But men cannot generally live on distributing. Distribution rests on the previous process of producing what can be distributed. I proceed to show how co-operative union can help us to escape from the competitive struggle, in this primary sphere of production, with the like prospects of general advantage which accompany its operations in the secondary sphere of distribution. It acts by a course of operations of which the wholesale centre of supply forms the natural pivot, and the rule to be adopted in fixing or settling the price of the articles distributed, an institution not yet noticed, furnishes the natural lever.

To commence production successfully at the present day, the producer needs an assured market. To carry on production at all he needs capital. And for the workers to carry it on so as to derive from it all the advantages that their work can give them, they require to get this capital on easy terms, *i.e.*, at moderate rates of interest. Now, to get capital at moderate rates of interest, it is indispensable to give its owners security that the payments shall continue. Produce this conviction, and experience proves conclusively that in a country such as Great Britain the rate at which capital can be obtained is so moderate that it ceases to form any burden upon industry. Now, a body of distributive societies, united by such a central association as above described, have in this centre the natural means of ascertaining what is their total demand for any manufactured articles which they can produce and consume; and when that consumption rises to a height to support a manufactory of these articles, they have in them the means of providing

the first condition of success, a market for their produce. where they may anticipate at least a fair trial.

But further, this machinery of distribution may supply them with the means of obtaining the capital required at the lowest cost allowed by the circumstances, by means of the savings on their own consumption. If they provide that the articles obtained by them through their unions for distribution shall be sold at ordinary prices, and return to their members the surplus, after providing for the total cost including the interest on the capital employed in this operation, as dividends on their purchases instead of by an immediate reduction of prices, they will gain two great advantages—

1. They can ensure the division of these savings down to the last farthing, without leaving, in the charge made to provide for expense, a margin which shall be a temptation to any body of shareholders to appropriate it to themselves, and thus practically obtain a benefit at the cost of their neighbours :

2. They will create, in the permanent incomes resting on their own consumption, a fund which, used by a union of these societies as a guarantee for the interest of the capital they may desire to appropriate to any productive works, would provide a security sufficient to enable them to obtain this capital on the best terms that the state of the money market in the country where they were formed would allow. While the produce of these works would supply them with the resources for paying the charge, and relieve the guaranteeing income from any real burden.

Here, then, without departing at all from the social conditions created by the present world of competition, adhering to the prices fixed, and the modes of conducting exchanges established by it, we see the way opening to the quiet, gradual introduction of that world of co-operative union, where the mass of the population shall no longer be shut out from the natural source of subsistence, and all the advantages of

wealth and the civilizing influences of high cultivation may be brought within the reach of all men. For the co-operators, having by union attained a market in their own requirements for what they desire to produce, and the facility for getting capital on the easiest terms on the security of their own consumption, would obviously have in their own hands the power of regulating the mode in which work should be conducted, and its profits dealt with. While securing that this work was honestly done; that they got full value for what they paid, and escaped entirely from the dominion of adulteration and shams, and providing for the greatest economy in production by arresting the formation of unnecessary centres of supply, they might do for the worker what M. Godin has done at Guise—destroy the antagonism between labour and capital, and gradually fill up the gulf between rich and poor by the insensible effect of institutions where the wealth created by work may do for the worker all that, by the wise use of it, can be done.

This might be effected even if the laws of England were far less favourable to associated enterprise than they actually are under the present law, which clothes societies of working men with all the rights of bodies-corporate, together with the right of holding land in any quantity. It is clear that societies formed for productive purposes under the conditions above supposed might, as they multiplied and became wealthy, and spread over the country, combine with their manufactures those pursuits of horticulture and agriculture, on whose advantages Mr. Gladstone not long since dwelt with his usual eloquence; and open the way, by the pleasant conditions of residence under which their work was carried on, for that social union with the classes now separated from them, which the progress of competitive industry, with its tendency to crowd the masses of the population into cities, makes perpetually more remote, by destroying all the natural friendly ties of residence in the same locality. This might be done, too, under our existing laws relating to land without

any change; requiring nothing more than preparedness to buy the land perpetually offered for sale. And it might be done with far greater facility in a country where land is habitually held and disposed of in large quantities than would be the case in a country like France, where, to acquire an estate of a few hundred acres, might need a long process of purchases and exchanges of land bought in fragments. We approach in this picture a state of things so far removed from what now prevails in a society, of rural districts which the progress of invention is perpetually depriving of their population, and cities overflowing with a population which the same progress is continually depriving of the means of subsistence, that those to whom it is presented as an accomplished fact, rather than as a process gradually accomplishing itself by natural tendencies, may be apt to greet it with that cry of "Utopia" with which selfish indifference is always ready to throw cold water on large proposals of social improvement; if not by that favourite stalking-horse of pessimism, the more rapid increase of men than of food—of which I will say only that a race among whom cultivation and the means of well-being were generally diffused would be able to deal with it in a satisfactory manner far better than our present population.

But on what, after all, does the operation I have here endeavoured to depict rest, but on the assumption that bodies of men collectively acting for their mutual advantage, would do for their joint benefit what we find that individually men are disposed to do for their private benefit, when competitive industry places the means of so doing in their hands. Have we not seen generation after generation of manufacturers, when by their successful industry they have rolled up from the profits of their business accumulated stores of capital, investing them in the purchase of land, and erecting thereon for themselves and their families stately dwellings, where wealth was made to minister in a thousand ways to the means of enjoyment. If, then, the mass of the

working population—those through whose toil this accumulation of wealth has been made possible—find the way by association among themselves to make the source of riches flow over for their joint benefit, why should it seem strange to suppose that they too may seek collectively to invest their accumulated savings in the land, which to them might be not mere acres cultivated by others who had to sell the crops to pay their rent, but the site of homes where these workers themselves dwelt—homes bringing, by wisely-directed association, as the Familistère of Guise now brings, the advantages of wealth within the reach of the mass of a population, who would themselves supply the consumers for the food raised from the lands to which their own consumption perpetually restored the elements of fertility;—homes where the pleasures of the social intercourse now afforded only in towns could be combined with the pleasures of that rural life from which the towns of our industrial England ever more and more shut out their inhabitants. Even at the present day Lancashire and Yorkshire are full of mills and factories, which by their situation would offer all the facilities for such a combination of rural and urban existence, if the profits derived from their work were concentrated and applied in the way now indicated, to promote the well-being of the workers. The spread of rail and tram ways makes the raising of such centres of industry more easy every day. Surely, then, it is a reasonable hope that, as the workers obtain through association increased means of producing such results, there would be a corresponding increase in the results produced; so that the progress of invention and accumulation of wealth would tend to redistribute over the country the population which this same progress now banishes from it; not as the semi-pauperised tillers of cottier lots, which they were too scattered and too poor to cultivate properly, but as the wealthy and intelligent inhabitants of unitary dwellings, where all the resources of agricultural and horticultural science would be applied

to make the produce of the earth keep pace with the produce of the industries by which its owners were enriched.

That cities would disappear I do not suppose. Emporiums of commerce, centres of education, centres of art would, no doubt, exist where circumstances favoured their existence; but they would be transformed; resembling Dr. Richardson's City of Health rather than our present deserts of brick and mortar. A thickly peopled country would be something like what may be seen now along the shores of the lake of Zurich, only in greater perfection; a succession of palaces, each with its farms, gardens, and orchards, interspersed with centres of work, all smokeless; and with now and then more thickly aggregated masses of a population who, unlike the residents of our present towns, would never be so closely crowded together as to lose the pleasures of life in their search after the means of living. This would be the outcome of a co-operative world such as I conceive it.

Thus, that benevolence to which the doctrine of the equality of all in the eyes of God, that corner stone of Catholic Christianity, is a reality, would find an effectual cure for the caste tendencies inevitably produced by the visible differences of those separate dwellings, where the rich and poor who alike profess to be the followers of the "Carpenter's Son" now isolate themselves, by the adaptation of social palaces to form, as in the Familistère of Guise is actually the case, the joint habitation of all classes, who, in the ordinary course of their daily life would keep up a practical sympathy, by arrangements for the general advantage jointly administered by them for their mutual benefit.

I stop here, not because the subject matter does not invite me to go on, but because any attempt to trace out the relations subsisting between the different productive bodies which might be formed by such means as I have attempted to trace, carries us into a state of things so far removed from the present state that the description may be charged with being as impossible as it must be imaginary. But that it must be imaginary does not prove it to be impossible.

I have desired to point out what, in the present competitive world, could be effected without any departure from the usual conditions of business, simply by using the results of this business for the general good, instead of letting them be appropriated to individual advantage. I have endeavoured to show that co-operation, in the two principles traced out, both consistent with the ordinary course of competitive industry—the union of consumers to secure the greatest attainable economy in distribution, and the union of producers to make the work by which they live as rich in benefits to them as it is capable of being—possesses the means of solving that social question which now "perplexes nations with the fear of change," and is growing with every returning year to more alarming proportions; the upshot of the whole process being that it would gradually bring men, in the fulness of knowledge and the indefinite increase of wealth, back to that natural constitution of things where competition, being directed not to secure subsistence but to multiply the means of enjoyment, would be seen to have a fitting place in the "best possible world" of Divine order.

Note on Natural Law (see page 45).—The position taken up in this chapter in regard to the "Law of Competition," in truth, assumes only that the same principles which apply to all other so-called Laws of Nature, apply to it. All such laws have a natural sphere of action, in which they are beneficial to man; and if he passes beyond this sphere, will produce results working to him injury, to be avoided only by carefully studying their action, in order to preserve what is beneficial, and avert what is injurious. For instance, our powers of motion and exertion depend upon the fact that the earth pulls us to itself, in virtue of the so-called Law of Gravitation. But if we try to leave the natural sphere of activity allotted to us—the dry land—and would swim like fish or fly like birds; or if, upon the land, we seek to move large masses instead of contenting ourselves with moving our own bodies, the force of gravity will drown or crush us, unless by constructing boats, or balloons, or cranes, we make it serve our purposes. But what everyone admits to be reasonable in the case of other "Natural Laws," is disregarded in respect of the "Law of Competition," which is often presented as if it were a Divine teacher, with a special mission to construct human society upon a solid basis; a teacher under whose guidance we ought to place ourselves, in humble confidence that he cannot lead us astray. It is my position that this is a total error, and that competition is simply a natural force which can no more be trusted to construct a true human society than gravity can be trusted to construct a bridge.

Chapter 5.

THE RELATION OF CO-OPERATION TO CURRENT ECONOMIC THEORIES.

To investigate the different economic theories current at the present day in detail, in order to see how far they agree or disagree with the principles of co-operative action, would require a volume. I do not propose to engage in any such task. But as what is called the science of Political Economy is often appealed to—usually with a great deal of ignorance of what its teachers do say, but not, therefore, with the less confidence—as if it put an extinguisher on all schemes of co-operative action, labelling them one and all as "impracticable," it may be well to consider generally what is the relation of co-operation to these doctrines. We shall see that, properly speaking, there can be no antagonism between co-operation and the doctrines of political economy, because they deal with distinct subject matters.

Let us bear in mind what has been more than once stated, that co-operation is not a theory but a practice. Co-operation, as it is presented in these pages, is an attempt made by men profoundly convinced of the eternal reality of moral truth, to embody the high ideal of duty in institutions applying to the daily events of our ordinary lives, in order that thus, goodness may become more prevalent than it is among men because its practice will be more easy, and selfishness diminish because there will be less temptation to it. But the doctrines of Political Economy, at least of the school best known in England, relate not to the mode in which men *ought* to act towards each other, but to the way in which they *do* commonly act in acquiring wealth, and to the results which are found to follow from their thus acting.

Now, in so far as what man may thus do agrees with what ought to be done, it is obvious that the co-operator cannot, as such, have any quarrel with the political economist, whose teachings, like those of any other scientific teacher who deals with ascertained facts and logical deductions from them, continually offer to him much useful information.

On the other hand, in so far as men's present conduct is not what it ought to be, doctrines concerning their conduct must of necessity cease to apply to persons whose conduct has changed, and therefore can affect co-operation only as demonstrations of the evil consequences of drunkenness may affect a man of sober habits—namely, as a caution into what an abyss of degradation and wretchedness he would fall if he were ever betrayed into such habits.

It may be alleged, What you now say in truth admits the great charge of the political economists against co-operation —that it is impracticable; a mode of acting in which men will not act in numbers sufficient to make it worth anyone's while to spend his labour in trying to get them so to act. But from the point of view taken in these pages of man and his history—from the conception of it as a moral progress, in which the idea of human brotherhood gradually becomes evolved as an active power, by the more complete transformation of the individual man into the likeness of that Divine ideal in whose manifestation the change began, or from any other conception of human history which sees in it a story of moral progress, the answer is clear. It is—we do believe, that men's conduct will generally come to be such as it ought to be far more generally than it is now; and we believe that men will be brought thus to act by means of such institutions as we are endeavouring to set up. They will require to be formed by men profoundly impressed by the principle of human brotherhood, full of faith in its reality and enthusiasm over the splendid outlook for the future of mankind offered by it. But in and by them will be gradually produced among other men, not necessarily a spirit such as animated these

founders, but at least a disposition to act in the way recommended, though, perhaps, with a view to personal advantage.

For this must not be forgotten—any institution deliberately planned with the object of promoting the welfare of all whom it may sensibly affect, must, unless it is very badly adapted for the purpose intended by it, be advantageous to the great majority of men. Only that small but strong minority whose talent enables them to "get on," as it is called, meaning, to get up on other men's backs and so be raised above the crush, to come to the front and roll up wealth and the power given by wealth, may feel themselves placed relatively at a disadvantage, by having to work for the common good, and to be contented with the common advantages placed within the reach of all with such special share of the total produce as in the general opinion their work deserves, instead of keeping all that they could get "off their own bat." Now, no doubt, this powerful minority is the greatest difficulty in the way of co-operation. Dealing as it does with matters of business, and requiring, therefore, when it advances beyond the comparatively simple phase of distribution, that union of qualities which go to make successful traders or manufacturers, it has to induce such men to devote themselves to its service, with nothing to offer them but the consciousness that if they give up much of what they might have acquired, they have gained what is more worth gaining — the conviction of having faithfully used their powers to promote the well-being of mankind.

The hope of the success of co-operation depends upon the assumption that men may be found possessing the required capacity, to whom such considerations as those above alluded to are supreme; who, without demanding, what it would be suicidal in co-operators to offer, a personal remuneration rivalling that offered by the competitive world to those who succeed in serving themselves, will give to the service of Humanity by co-operation work as persevering, and far more faithful than the competitive world is able to

purchase, from men whose services are determined only by the calculation of comparative individual advantages. Is this hope unreasonable? I conceive that it is not.

The real antagonism between co-operation and the political economists of the school referred to lies not in the science of Political Economy, that is, the principles by which labour has to be carried on in order to acquire wealth, but in the assumption continually made by this class of writers that men are beings whose conduct in commercial matters will always be regulated solely or mainly with a view to their individual selfish interest; while the co-operator, though he admits that this tendency is lamentably prevalent at the present time, looks upon it as a "false skin," developed to an unnatural vigour by the effort to cast off a mediæval worn-out skin, that had become too tight for the growing energy of the body social, but destined itself ultimately to slough off, and give place to the permanent human skin, at once firm and elastic, which will give free play to the activity of each individual member, while it holds all firmly co-ordinated in the unity of the social body. Let us examine whether this assumption of the co-operator is justified by ascertainable facts.

It needs, I think, only that we rub the dust from our eyes and look around us in the world as it is, to see that assiduous, unwearied, concentrated, enduring labour may be obtained from men in pursuits which interest their higher nature, by considerations in which the idea of working for immediate self-interest becomes entirely subordinated to other motives. The pursuit of knowledge of almost any kind, the pursuit of art, the desire to promote the welfare of other men, whether in an assumed future existence as among the majority of religious teachers, or simply from the wish to alleviate human suffering as among very many members of the medical profession, are instances of this sort.

The service of the State in all its branches—military, naval, and civil—furnishes a similar and, in some respects, more

instructive lesson; because if we do not usually find here the enthusiastic devotion often displayed by the scientific inquirer, the artist, the priest, and the doctor, we keep within the broad recognised lines of ordinary human action, so that what it is possible thus to call forth cannot be considered a flight beyond the common reach of mankind. Now, if we look at this service of the State, either in our own or other law-abiding countries, such as France or Germany, we may satisfy ourselves that, in order to obtain the best work of men of high ability, very moderate payments suffice, if they are combined with two conditions—(1) the certainty of their continuance except through forfeiture from misconduct; (2) the prospect of an advance to higher positions, regulated by merit and not by capricious favour.

But these two conditions a co-operative union would be peculiarly able to assure, from the very fact of its being essentially a system in which united action would gradually supersede individual struggles. In such a system the uncertain chances of competitive rivalry would naturally disappear before the establishment of centres of production and supply, carefully arranged with reference to the wants of the population, and embracing districts federated together, so that each centre, while free to act within its recognised limit, would have the sphere thus defined undisturbed. Such a system would naturally lead to the permanence of employments and to a hierarchy of offices. In truth it would transform the whole machinery of production and distribution into public functions, and thus bring into general operation those motives which are found, in the world as it is, to be reliable means of combining efficiency in the work done with economy in the payments made for it.

How large a fund co-operative organisation would have at its command for reasonably rewarding its most efficient workers, while yet it gave a largely increased individual advantage to the mass of the population, the actual results obtained by co-operative societies in their savings upon the

enormous cost of the present system of competitive distribution show. We find by a wide experience that, even among the poorer classes, from 10 to 12 and 12½ per cent on the ordinary price of articles in the most constant demand may be saved, after paying all the necessary costs, including £5 per cent a year on the capital used, simply by union among the consumers to do the work of getting what they want to their own dwellings in the most economical manner for themselves, instead of allowing anyone who chooses to set up a shop to compete for their custom.

It can scarcely be doubted that much larger savings may be made on the dealings in those articles where, the sale being less quick, the percentage of profit charged on each article is greater. But, independently of this saving in the cost of distribution in each particular case, there is a mode of possible saving, often little thought of, in the suppression of the needless centres of supply which now add to the expense without any corresponding increase of convenience, on which I would say a few words, availing myself of the careful computation contained in reference to London in one of the Central Board tracts on the "Economy of Co-operation."

That there is an enormous waste of labour in the system of distribution in use at present, anyone may satisfy himself who will consider what arrangements it would be natural to adopt, if we had to supply any of our great centres of population with their daily demands of food, or any other articles of ordinary consumption, as a commissariat department would supply a camp of equal size. A person charged with such a duty would, I suppose, begin by asking what is the furthest distance beyond which no dwelling shall be removed from a centre of supply; and when this had been settled, would map out the place to be supplied into as many areas as would be required to secure this end if a centre were placed in the middle of each, and would set up his establishments accordingly. Considering the distance at which people are now content to live from the shops whence they get their ordinary supplies, I think it may be said that if there was no dwelling more than one-third of a mile from such a centre, the great majority being of course much nearer, the object would be sufficiently attained, in those cases where the demand is most frequent; cases where the demands were more special or less frequent being met by a diminished number of centres, always, however, systematically arranged. That is to say, a city might be supplied with whatever its inhabitants ordinarily required in a thoroughly convenient and efficient manner, if one

good centre of supply were placed in the middle of every square third of a mile—nine in every square mile—for, in this case, it is clear that the furthest distance which anyone would have to go from his dwelling to this centre, if the streets were laid out on a regular plan, would be two sides of a square, each one-sixth of a mile long. How many of such centres would be wanted to supply London, and how many actually exist?

The Post-office Directory of London contains the names of all the traders who carry on business in that vast centre of population, classified under their occupations. The map prefixed to the issue for 1877 represents 108 square miles. But of this space certainly scarcely more than half is included in the area containing the dwellings of those traders whose addresses the list furnishes. For the map takes in a tract of at least an average breadth of a mile, 36 square miles in all, forming suburbs whose residents are not included in this list. And large deductions must be made from the remaining 72 miles to allow for the irregularity of outline of London, and the spaces occupied by the Parks and the Thames, within those portions where the population is dense. 54 square miles might, I believe, be fairly taken as the area to be dealt with. But, to err on the right side, I will assume this area to be two-thirds of the whole 72 square miles. The computation of nine centres of supply to each of these miles would give 648 central bazaars as the number of retail establishments required for the convenient supply of London with the articles of most common consumption. What is the actual number of establishments which London contains in this area? I have taken 22 trades connected with the supply of (1) alcoholic drinks and tobacco, (2) food and household wants, (3) clothes and personal wants, (4) books, medicines, and stationery, and obtain the following results, which, I should add, do not profess to be more than tolerably near computations:—

Trades connected with the supply of—

1.—Intoxicating Drinks and Tobacco.

Trades.	Numbers.	Excess over 648. Actual.	Per cent.
Beersellers	1610	962	148
Publicans	5814	5166	797
Tobacconists	1824	1176	166
Wine Merchants	2052	1404	216
Totals	11300	8708	335

2.—Food and Household Wants.

Bakers	2394	1746	269
Butchers	1596	948	146
Chandlers	2479	1831	281
Cheesemongers	826	178	26
Coffee-room Keepers	1721	1073	165
Confectioners	1018	370	57
Dairymen	1824	1176	181
Greengrocers	1881	1233	190
Grocers and Tea Dealers	2747	2099	324
Oil and Colourmen	1379	731	112
Totals	17865	11385	175

3.—Clothes and Personal Wants.

Trades.	Numbers.	Excess over 648. Actual.	Per cent.
Boot and Shoe Makers	3477	2829	436
Hairdressers	1083	435	67
Linen Drapers	1368	720	111
Tailors	2679	2031	313
Watchmakers	1309	655	101
Totals	9916	6670	205

4.—Books, Medicines, and Stationery.

Booksellers	912	264	40
Chemists and Druggists	893	245	37
Stationers	855	207	32
Totals	2660	716	36

Adding up the four lists, we get a grand total of 41,735 centres of supply, against 14,256 wanted—27,479 too many according to our previous computation, or 26,903, even if, in the case of public-houses, we suppose one placed at each corner of each area of one-third of a mile square, in addition to one in the middle—251 existing shops, on the average of all these trades, for every 100 wanted.

It is out of my power to form any accurate estimate of the unnecessary cost caused to the public of London by the present wasteful system of distribution beyond what they would have to pay if this indispensable office of bringing the things wanted and the persons who want them together were discharged with the economy which a well ordered organisation might secure. For, on the one hand, when we take those trades which deal in articles not so constantly required as the articles enumerated above, each case would have to be considered by itself, in order to form an estimate of the number of centres of supply reasonably wanted, so as to compare them with the number that competition gives us; while, on the other hand, the list of London traders contains a large number of producers, who must be struck off upon an inquiry into the waste of distribution; and, after all, unless the actual cost of the existing distributive centres and the amount of business done could be ascertained and compared with what we know by experience to be the ordinary cost of doing this amount of business in a system of well-organised co-operative distribution, we should get only guesses, which we might make pretty nearly as well without the labour of such a computation. Even if we confine ourselves to the trades above enumerated, where in every instance there is a large excess, the great irregularity in the degrees of this excess, ranging, even if publicans are excluded, from 26 per cent in the case of cheesemongers, to 436 per cent in that of shoemakers, and the very great differences which there doubtless are in the average turnover of a shop in one trade as compared with that in another trade, makes it impossible to form more than a very rough estimate of the increased cost of distribution with which London allows itself to be charged, because its citizens do not combine in a reasonable method of supplying themselves with the things which they want every day. How-

ever, to give our ideas some little definiteness in the matter, consider this. In the 22 trades enumerated above, we have found that there are 26,903 shops more than are necessary. No doubt many of these shops are small. Suppose that, one with another, the cost of each shop is, for rent, rates, taxes, light, fuel, &c., £100 a year, and £150 for the wages or cost of living of the persons employed, we get a sum of £6,725,750 as the total cost of these shops, of which it is, I think, a moderate supposition that at least one-third of the rent, &c., and two-thirds of the service, would be saved if the work was done by the 14,836 centres needed, instead of the 41,735 existing. There would be a direct saving to the citizens of London of over £4,000,000 a year in these trades only, by suppressing the useless cost of unnecessary establishments; independently of the great economy produced by turning the profits of the seller into savings to the buyer, which, we know, would give to the customers of the reduced number of establishments, after paying all costs and the interest on capital, from 1s. 6d. to 2s. 6d. in the £, on whatever may be the turnover of the 41,735 shops with which we are dealing; an amount probably much under-estimated at an average of £2,500, or £100,000,000 a year.

Nor must it be forgotten, when we are considering what might be saved by co-operation in distribution, that the names of the traders mentioned above occupy 367 columns only of the 1,565 included in the Trades Directory of that vast magazine of addresses furnished by the Post-office, of whom by far the greater part are engaged in distribution. It represents but a fraction of the waste which lies at the door of competition in London only; though, for the reasons already given, I refrain from any attempt to reduce this waste to an amount appreciable by figures.

Now this great saving which association for distribution can effect would not be purchased by a diminution of the convenience offered by the present system. On the contrary, there would be an increase of this convenience.

The actual needless multiplication of shops does not prevent a large part of the residences in London from being much further than the one-third of a mile assumed by me as the extreme distance of any house from some centre of supply; for these centres are distributed with reference, not to the greatest convenience of the inhabitants, but to the opinions entertained by their proprietors of the situations where they will have the best chances of attracting notice and obtaining custom. Therefore they fill the principal thoroughfares in continuous lines, while they leave large areas of population with a very scanty number of shops. And these shops are not as they would be upon a system of organised distribution, *all first class*, where in every instance entire reliance might be placed on the quality of the goods supplied and the fairness of the prices charged, because all would be supplied from the same wholesale centres with which they would be connected in federal union; all would be conducted by managers, appointed by committees of purchasers who would overhaul all their proceedings, and liable to summary dismissal at least, if not to other penalties, for any detected roguery. The actual shops may be said to be of all degrees of goodness or badness, agreeing with each other only in one respect, that the

ordinary buyer can never get any knowledge of the amount of additional charge beyond the cost price to which the supposed economy of competitive trade subjects him.

Now, London is only a specimen of the system universal over the whole country. How large a fund would be placed at the disposal of the co-operators by this mere saving of useless cost in distribution, out of which to reward useful activity, is, I think, made very clear by such facts as these. They may relieve us altogether from the apprehension that co-operation must give up the hope of raising the masses because its resources would be used up in paying its chiefs. There are ample funds in the savings on competitive waste to effect both objects.

The considerations adduced in the last sentence apply to life as it is in our competitive world, and the isolated homes natural to a life so circumstanced. But in contrasting the motives which may lead men to energetic work in a co-operative society, we must not leave out the advantages which the co-operator would derive from the principle of association when it is applied to the formation of unitary homes, as it has been applied by M. Godin, at Guise, and with the growth of co-operative union, must certainly be applied more and more extensively.

Unitary homes will, I conceive, be to co-operation what monasteries were in the middle ages to the Church—the fortresses by which it will take possession of society, and gradually convert mankind to obedience to the new faith. Life in them will be greatly more full of physical enjoyment for the mass of mankind. Life in them will be infinitely more full of moral satisfaction to all the noblest spirits of our race. They will see in these homes the means of abolishing that ever-deepening dyke, dug by our competitive society between the "two nations" of rich and poor, and look forward to the ever-increasing means of general well-being which such institutions will secure to mankind by the deposit of accumulated wealth

left behind by each successive generation. So that the desire for that isolated family existence which is the great source of the perpetual race after wealth will cease. It will yield to a desire to maintain institutions felt by everyone alike to be the permanent source both of individual happiness and general well-being; until the notion prevalent among many political economists, that this race after wealth is the only efficient motive to human activity, will come to be classed among the comical absurdities into which clever men have fallen, who, living in an age just emerging from barbarism, fancied that the society wherein they lived had spoken the last word in the "History of Civilisation."*

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* The views advocated in this chapter will be rejected by those who conceive that, because the struggle for existence is a law of physical being, it must also be a law of spiritual being. To all objectors of this class I reply, You are confusing the root with the fruit, which indeed depends upon, but is very different from it. Self-assertion is the first condition of individual being; it does not follow that self-assertion is its end. On the contrary, the theory of development, which I accept as scientifically established, teaches that, in the progress of existence on the earth, the opposite principle, of combined action, has manifested itself with continually increasing completeness. Gases have combined into liquids and solids; liquids and solids have united to form plants. On the plant has reposed conscious animal life. With the consciousness of surroundings has appeared the intelligence capable of combining them, as means for its own ends. And beneath this intelligence there has become manifest a reasonable self-governing will, which claims the right to determine those ends. To go back to the struggle for existence as the law of reasonable life, is to ignore this vast progress, and treat men as if they were only bags of gas. No doubt the struggle continues. If it ceased, individual existence must disappear. But to appeal to it as a principle capable of producing a true human society, is, as has been noticed on p. 56, much like appealing to the force of gravitation to build a bridge.

Chapter 6.

THE RELATION OF CO-OPERATION TO THE STATE.

Co-operation has been presented in these pages as essentially a voluntary system. Its root has been traced back to that deepest of all principles known to us—free, that is self-governing, reasonable will: that power which being, as I believe, the ultimate source of all existence, has come out on this earth where we dwell as the result of the long succession of advances conditioned by the struggle for existence, during the unnumbered ages recorded in the fragmentary leaves of the "Stone Book." When Icthyosauri, Plesiosauri, Megatheria, and all the other tribes of monsters had improved themselves away; when the huge fern forests of the past had stored up in beds of coal the force radiated in times long gone by from the central orb; then, amidst a world of flowering and fruit-bearing plants and shrubs, a world of bright-hued insects, and many-voiced birds, man, the contemporary of the dog, the elephant, the camel, the horse, the sheep, and the cow, appeared, to "order and to dress" the abode, made fit by the natural development of struggle for the dwelling of a creature who could resolve the discords of nature into the harmonies of reason.

Our first chapter has traced the character of that process by which the Divine author of the universe, working always through appropriate means, struck the chords from whence this harmony can be evolved; by the manifestation of His own infinite love in the person of Christ, awaking in the heart of man the echoes of a responsive love, which should gradually substitute its divine melody for the discordant tones of natural selfishness. But harmony consists in

many different sounds combined so, that each, while preserving its individual distinctness, contributes to the all embracing ideal unity. Naturally, therefore, the idea thus introduced into the world created for itself an organisation, —a State which, under the name of the Church, soon began to assert over against the Empire of the Cæsars, the claim to a sway larger even than that colossal centre of political might—a kingdom of God, including alike "Greek and Jew, Barbarian, Scythian, slave and free," combined in common willing obedience to its Divine head; whose power rested, not on the visible force swayed by the master of forty legions, but in the invisible power that constrains the hearts of men.

Between these rival states, each claiming unlimited obedience, soon arose a deadly contest, where the victory declared, not for the external, but for the internal power; not for the flesh, but for the spirit; not for the strongest battalions, but for the deepest influences; not for the Eagles, but for the Cross.

The time came when the genius which was throned on Mount Palatine had to yield to the genius that presided over the "Lord's Table"—when the new Christian state swallowed up the ancient State of Rome, and began to mould according to its own tendencies that powerful agency of legal might, with which it had been for more than three centuries engaged in a "struggle for existence;" an issue which may reassure those who fear, as many seem at the present day to fear, that in this "struggle for existence" the outward will prove too strong for the inward, the bark too strong for the sap, and that to preserve moral truth from perishing it is necessary to feed it upon a dietary of undemonstrable assumptions. That this legal state was a tough morsel for the Church to digest I do not deny. It had to swallow an enormous mass of material very little prepared for assimilation, and still suffers from the indigestion thus occasioned. Yet it has done an immense work, of which at the present day we are liable not to appreciate the

importance, because the work has been done so completely that scarcely any trace of the old state of things remains in our world; and because few of us are sufficiently well acquainted with the past to reproduce it as it was. The Church in digesting the old body politic has expelled from it *slavery*. Thus it has made possible that more perfect organisation wanted to complete the development of the good seed sown 1,800 years since in the land of Palestine; to realise that "more excellent way" set by the great Apostle of the Gentiles before his Corinthian converts in words that cannot be bettered; and to make of the body politic such a body as shall fulfil the ideas of a true state, which the same Apostle presents as the natural outcome of this "way."

By the elimination from human society of this indigestible element of slavery, and the cotemporaneous growth of orderly political freedom, the natural attendant on its elimination, and nowhere at the present age more completely attained than in our own United Kingdom, the way is prepared for the second great step in the evolution of humanity—the formation of a Church which shall not only teach men everywhere to pray that God's kingdom may come, His will "be done on earth as it is in heaven," but shall nourish in them the earnest determination that His will shall be done, for they will do it; that this kingdom shall come, for they will not rest from their labours till they see it established.

Now, this determination the co-operator who takes the view presented in these pages of what co-operation has to do, must set before himself as his determination. This state is the state that he has to bring about, carrying on the work of the Church of the first centuries to its logical issue. As the Christians of the first three centuries raised over against the political state an ecclesiastical state or Church which absorbed it, so has the co-operator to raise over against the present politico-ecclesiastical state, a new social state; a voluntary body growing up by its inherent energies like the

Church of old, but fulfilling what the Church of old could only indicate in hope; till it may say with far deeper truth what was said of the Bible Society by one of its early presidents—"If it cannot reconcile all opinions it unites all hearts." Because, taking as its starting point that sentiment of general benevolence, that sympathy with human necessities, which is the common outcome of all Christian teaching, however widely the teachers may differ in the theories connected by them with it, this social Church will be able to reconcile the manifoldness of belief in the oneness of practical action.

Co-operation then is called on to create a new social state, which, growing over against the present state as the Church did of old, only now under its shelter instead of in conflict with it, may, like its precursor, ultimately absorb the law-making power within its own circle, and can then complete what may be requisite for its perfect consolidation, by the same sort of authority, as that whereby, in all ages and countries, the minority have been required to give up for a reasonable compensation, rights of which the majority feel that the cession is necessary for the general welfare.

But, as of old so now, this new state must spring up freely, in that soil which the action of the older Church, or the intelligent and moral culture fostered directly or indirectly by it, has delivered from the incubus of slavery and the despotism of the body politic. Its claim on the existing state is simply for leave to grow and develop its own power in peaceable obedience to the laws which, in the United Kingdom at least, afford it all that it can require, by clothing the members of co-operative societies with corporate privileges for trading purposes, and giving them the unrestricted right of holding land.

A great confusion of ideas has prevailed on this matter, not in England so much as elsewhere, on the continent of Europe, and latterly in the United States of North America. Because all social reformers look, and must of necessity

look forward, to the formation, as the outcome of their reforms, of a state of things where the customs and rules of the reformed society will be identical with the laws of the countries where it flourished; therefore it has been supposed that a short cut to this reformed condition of things lay through the law-making power, to be exercised by means of universal suffrage by the mass of the population, who should substitute for the spirit of God actuating the will of man the words of man ordering men's lives.

The delusion has been already denounced in these pages, and cannot be denounced too strongly. One more fatal to the hopes of an abiding social reform it is impossible to imagine. It is analogous to the folly of a child who plants flowers to get a garden quickly. It is to suppose that a tree can grow without roots, or that we may gather "grapes of thorns" and "figs of thistles." Whether that development of the principle of love, of which the Christian religion has been the historical nurse, has yet attained a growth deep and wide enough to produce the social reforms sought by co-operation is a legitimate subject of question. To the writers of this Manual the signs of the times seem hopeful, otherwise it would be useless for them to undertake the labour of writing it. On this matter they can only hope, without venturing to dogmatise. But of one thing they must assert their undoubting conviction, that if the co-operative spirit, with the facilities of action now open to it, cannot succeed in forming a reformed social state, the existing state will be absolutely powerless to create a co-operative spirit. As well might we suppose, that if St. Paul had succeeded in converting the Emperor Nero to the Christian faith, that religion might have been established as a true spiritual influence by the javelins and swords of the Roman legions.

PART III.

THE PRACTICE OF CO-OPERATION.

PART III.

Chapter 7.

THE APPLICATION OF CO-OPERATION TO DISTRIBUTION.

Apart from the moral benefit attending all modes of co-operation, if they are animated by a genuine desire to work for the common good, the beneficial results arising from its application to distribution rest upon the fact illustrated in the chapter on the Economical Basis of Co-operation—that there is in the present system of competitive trade an enormous waste. Not that those who undertake this office do not endeavour to do their work as economically as they can, but that, from circumstances which it would take more space than can be conveniently spared to trace in detail, there is actually absorbed in the operation of bringing the desirable things produced in the world to the hands of those who require them, a part of these things much larger than is needed in order to get the work done thoroughly well.

On this fact, the economical strength of co-operative distribution rests in practice. The surplus over cost thus put into the pockets of the consumers as the result of union to supply themselves is, in well managed stores, after paying all expenses and £5 per cent. per annum on the capital employed, commonly from 2s. to 2s. 6d. in the pound. This surplus forms the backbone of co-operation. It gives to that system of trade a solid commercial basis, on which to build the co-operative edifice, in what is undoubtedly, in my judgment at least, the safest, the most useful and best plan for every one

who does not want co-operation to stop at distribution. This plan, popularly known as the Rochdale scheme, from its having been introduced to general acceptance by the Equitable Pioneers of Rochdale, is to sell all goods at the prices charged by respectable private traders, and returning the surplus over cost and 5 per cent. on the capital invested, to the members, as dividends on their purchases. I proceed to explain for the benefit of those who desire to form co-operative societies on this plan how to set about doing it; laying under contribution for the purpose of this explanation, the excellent tract on Village Co-operative Stores by Walter Morrison, Esq., formerly M.P. for Plymouth, originally published by the Central Board, as well as the papers published by the Guild of Co-operators.

The first thing to be done is to draw together a body of men so persuaded of the value of co-operation as to be willing to undertake what, if wisely undertaken, can scarcely be called the risk of setting up a store. Great help will probably be found in this step from getting and circulating a few co-operative tracts. Those called "Christianity in Common Life," "How Bob became a Co-operator, "The Banbury Tract," written by one of the founders of the very successful store at Banbury, in a purely agricultural district, and the "Guild Papers," are suitable for this purpose.* Mr. Holyoake's "History of Co-operation in Rochdale,"† is well adapted, in Mr. Morrison's words, "to excite interest in Co-operation by its simple, graphic, and humorous account of the heroic struggles of the Rochdale Pioneers, which go straight to any man's heart." It is well worth the price asked for it, 1s. for the 1st part, and 2s. 6d. for the whole work; but

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* These tracts, with many others, can be got from the Central Co-operative Board, City Buildings, Corporation Street, Manchester, or at the Office of the Guild of Co-operators, 19 Russell Street, Covent Garden, London, W.C. They are sold at the prices stated in the Appendix, No. 13. But the Central Board makes free grants of tracts for aiding the formation of societies.

† Published by Messrs. Trubner & Co., 30, Paternoster Row, London.

this price necessarily makes it less suitable for general distribution than the tracts above mentioned.

When the ground has been prepared by this preliminary treatment with tracts, and the matter has been talked over sufficiently between those who may be most disposed to take part in the plan, the next step should be to call a meeting in any convenient place in the neighbourhood, to see what support can be got for the scheme, and to appoint a committee of persons of good character and intelligence, whose names may give confidence generally to the public. This step is, indeed, not indispensable. The stories of many now prosperous societies show how much a few determined men may do in setting up a store, with scarcely anything but their own energy to help them at first; and if these pages come into the hands of any who are conscious of such a heroic determination in themselves, I can only say, "go on and prosper," as I have little doubt you will. But moral miracles of this sort, though the age for them is *not* passed, cannot be looked for every day. It is well, therefore, to consider the means that are most likely to lead to success among those who have not, as yet, attained to the "Faith that can move mountains," and of these means the public meeting is a very good one.

What is best to be done to get up such a meeting is a matter on which it is difficult to give general advice, because so much depends on the circumstances of the locality where the society is intended to be formed.

If it is in a town, Workmen's Clubs, Trades Unions, Friendly Societies, or meetings of men employed in factories or other establishments, may probably be appealed to for support with good effect.

If it is in a rural district, the squire, or some of the gentry, if more than one family of higher degree are resident in the district, and possibly some of the farmers may be got to interest themselves in the plan. "There are many things," says Mr. Morrison, "which are as necessary to the household of the well-to-do as of the poor; the store will be a convenience to

every one in the parish, irrespective of social rank. And if the more prosperous inhabitants join as shareholding members, and take an active interest in the management, they will be able, at no cost to themselves, greatly to benefit it. The farmers' carts returning from the market town or railway station may bring back goods for the store free of cost*; they may, with the village carrier, bring off from the railway at once your truck-load of coals (when a society has advanced to a point where it may venture to deal in coals) and so save loss from demurrage or pilfering: their capital and trade will enable the store to keep in hand a larger and more varied assortment of goods; while on the other hand it will be a convenience to them, when pay day comes round, to get cash from the till of the store with which to pay wages, giving in return their cheques, which will be a convenient mode of remitting the accounts due by the store for goods bought. And surely it is no light matter that there should be in the parish at least one institution, where rich and poor can meet on common ground, and with a common interest."

The last argument is well adapted to gain support to proposals for forming a co-operative store from one class of persons, whom the promoters of the plan should certainly endeavour to interest in it, whether in town or country—the ministers of religion—especially, in the country, the clergyman of the parish or district, who, among other services which he may render, may grant the use of the schoolroom for the meeting. Men of this class, if they can be induced to come forward, and say a few words of advice, will tend to give the undertaking that high moral tone by which all genuine co-operative enterprises, however shrewdly conducted as commercial ventures, must be distinguished from the common ruck of schemes for making money at other men's cost.

Application for assistance in conducting such meetings

* That is supposing the farmers to be members of the society, and therefore willing to do for it, free of charge, what costs them nothing.

may be made also to the Secretary of that Section of the Central Board, in which the society is proposed to be formed; or, if those desirous of forming a society do not know the address of the Local Secretary, to the General Secretary at City Buildings, Corporation Street, Manchester; who will put them in communication with the Board of the Section; from which they will obtain what will probably prove a valuable help, and at all events the best they can give.

In London another organization, called the Guild of Co-operators, noticed above, has been formed for promoting the spread of co-operation in the Metropolis and the adjoining counties, to which appeals for assistance in the formation of new societies in these localities may be addressed, at 19, Russell Street, Covent Garden, London, W.C., with an assurance that every practicable effort will be made to attend to them.

Supposing that, by such means, there has been collected a sufficient number of persons willing to take shares in the new society to justify a beginning, the next thing necessary is to get the rules framed and registered.* Great assistance is given at the present time to those who desire to form a society whether for distributive or productive purposes, by the action of the Central Board, and in the case of distributive societies by that of the Co-operative Wholesale Societies at Manchester and Glasgow. The Board publishes a set of General Rules drawn up by the present General Secretary, in conformity with the requirements of the Industrial and Provident Societies' Act, 1876,† which have been submitted to the Chief and Assistant Registrars, and are accepted by the Central Office.‡ These rules are not merely models: they are in a form such as allows of their being adopted by any society or persons desirous of forming one, by means of Special Rules prefixed to them which

* The observations following here on this head apply also to productive societies, since the latter could not be separately treated in reference to the mode of their formation without a great deal of useless repetition.

† 39 and 40, Victoria, c. 45.

‡ Registrar's Report for 1876, p. 39.

state the name, the date, the registered office, and the device borne by the seal of the society, all matters which must be provided for in each case. Farther, if those who adopt the General Rules, whether as individuals or societies, wish to make any alteration in their provisions, the Special Rules can also state what these alterations are; in which case the General Rules are so framed as to substitute the alteration in place of the provisions altered. The General Secretary will prepare proper Special Rules to give effect to the alterations desired by the founders or members of any society who determine to adopt the General Rules, but desire to alter them on any particular matters which they state to him.

As the General Rules are kept in stock and sold at the charge of 1½d. each, while the cost of the Special Rules, if they are not much longer than is generally the case, does not exceed a few shillings for 250 copies; (the number on which printers' charges for setting up are based), it is possible for the founders of a new society to get as many complete sets of rules as they are likely to require for immediate use, for much less than it would cost them to get far less complete rules of their own; leaving a good stock of copies of its Special Rules not used in hand ready to be made up as occasion requires. When these are exhausted, the society will be able to obtain as many additional copies of its rules as it stands in need of at the cost of re-printing its own Special Rules and the charge of 2d. a copy for as many of the General Rules as it orders.

It may perhaps appear to some persons who examine these General Rules with the view of adopting them to found a society, that they contain a number of provisions on matters for which they do not wish to provide at all in the first period of their existence. But if the society should prosper and grow great, they will probably find these provisions, which have been suggested by the experience of large societies now existing, of advantage to them, while they add nothing to the original charge.

The General Rules are formed upon the plan of requiring

each member to hold at least one transferable share, which, however, they authorize the Committee of Management of the society to repay, if satisfied that it can be done safely, if a member desires to withdraw from the society ; while they protect the society against danger from the right of withdrawal, by subjecting it to restrictions on the sum withdrawable, except by consent of its committee, in any year, and by authorizing a special general meeting to suspend the right altogether, if its exercise appears likely to be detrimental to the society. Under such restrictions I do not apprehend that any danger is likely to arise from the exercise of the right of withdrawal in distributive societies; while there can be no doubt but that the habit of treating these societies as savings' banks able safely to pay a much higher interest than ordinary savings' banks can pay, but from which, as from other savings' banks, the depositors may draw out their money when they please, has very materially contributed to the rapid growth of the societies. It would have been disadvantageously exchanged for any form which would have prevented the accumulation of capital by putting difficulties in the way of using it. I think, therefore, that for distributive societies such a system as is above described—though admitting of alteration by the Special Rules—is generally the best. With productive societies the case is different, since the capital may be largely sunk in plant, and to allow free withdrawal might ruin the Society.

On this plan the transferable share, or shares, if more than one is required to be held, form the primary fund for paying the debts of the society. For, if a society is wound up, the withdrawable shares will be converted into claims upon it subject to the discharge of its debts ; while the transferable shares, since they cannot thus change their character, can take only what is left when all other claims are discharged. An attempt is often made to produce the same effect with withdrawable shares by distinguishing them into those which the members are required to hold, and those of which the holding is optional. But to make withdrawable capital thus act the

part of transferable shares requires the provisions introduced into the present General Rules, but not often used.

When the rules have been framed, the next step is to get them registered, for which purpose application must be made to the Registrar of Friendly Societies, *i.e.*, for England, the Central Office, consisting of the Chief and an Assistant Registrar, 28, Abingdon Street, Westminster; for Scotland and Ireland respectively, the Assistant Registrar, 43, New Register House, Edinburgh, and 9, Upper Ormond Quay, Dublin. The application must be made upon a printed form, which can be obtained from the Registrar's office, containing a list of twenty subjects on which provision is required to be made by the rules of Industrial and Provident Societies. Under each of these heads the form must be filled with the number of the rule of the society where the particular matter is provided for.

If the founders or members of any society do not adopt the General Rules, but determine to provide their rules for themselves, they would do well to apply to the Registrar of the country, as the case may be, for one of these forms before they draw up their rules, that they may not have them returned when sent up for registration, to supply deficiencies in respect to these provisions. At the same time they should ask for a copy of the model rules on these matters, which are furnished by the office.

If the General Rules are adopted, the General Secretary will supply application forms properly filled up with the necessary references, leaving nothing to be done in the case of a newly formed society but that the form should be signed by the same eight persons by whom the rules are signed, one of whom must be the Secretary.

The application form, when duly filled up and signed, must be sent to the Registrar's office in England, Scotland, or Ireland, as the case may be, with two copies of the rules, each marked with the letter A.

If the application to register new rules is made by a society already in existence, which desires to substitute a complete set

of new rules for its previous rules, the process is somewhat different. The same twenty matters which have to be provided for by the rules of a new society are required to be provided for also by the substituted rules of an existing society, so that the remarks made above in regard to providing for these matters in the case of a new society, apply equally to the case of such new rules. But the form of application is required to be signed only by the secretary of the society, and the new rules to be signed only by three members instead of by seven. On the other hand a copy of the existing rules must be sent up with the application, in addition to two copies of the new rules, each properly signed, and marked with the letter P; and it must be accompanied by a declaration made by the secretary before some Justice or other person authorized to receive it, on a form annexed to the application, that the existing rules have been complied with in the alteration. No fee is charged on the registration of a new society in consideration of the expense connected with the formation of societies, and of the comparative poverty of those who may form them. But a fee of 10s. has to be paid on the registration of any amendment of the rules, though it may relate only to a single rule. The same declaration must be made in the case of such an amendment as in that of a complete amendment; but it is not necessary in registering a partial amendment to show that the existing rules make provision for all the matters for which a new set of rules is required to provide. It is necessary only to state the rules to which the amendments relate, and the alterations to be made, in the manner directed by the form of application for registering such amendments, and to send to the Registrar with the application for registration two copies of the amendments, and a copy of the rules in which the alterations are shown in writing. Neither rules nor amendments are required to be printed. But as the Industrial and Provident Societies Act requires societies to deliver a copy of their rules to *every* person on demand, on payment of a sum not exceeding one shilling, and makes it a "misdemeanour, to give to any person any rules

other than the rules for the time being registered under the Act on the pretence that the same are the existing rules of a registered society,"* it is obviously expedient, in order to save endless copying, that both rules and amendments should be printed.

With these facilities for obtaining, at a very small cost, rules adequate to meet all the requirements of a society when it attains the full grown proportions of a prosperous institution, there is not so much reason as there was formerly, for waiting till funds sufficient to provide for a fair start in business have been promised before incurring the cost of giving the society a legal constitution. If there is only a fair prospect of success, a beginning may be made with the advantage of being able to ask support, not to a society to be formed, but to one already constituted, where every member may both see exactly what he is asked to join, and know that whatever happens to the society he can incur no greater liability than is measured by the shares for which he subscribes. It ought, I think, to be easier, under such circumstances, than used to be the case, to work up the numbers to the point where it may be prudent to commence business. Where that point should be fixed varies with the place where a society may be formed. Setting aside, as irreducible to any rule, the heroic cases where personal energy is appealed to to supply the lack of pecuniary means, I may say that in small towns or country districts £100 paid up, and £150 in the Metropolis or other large cities, is considered to afford a fair start, provided that this amount is either wholly paid on transferable shares, or, if paid on withdrawable shares, is subject to conditions restricting the exercise of the right of withdrawal without leave of the committee, for such a time as will allow a fair chance of getting the society well afloat.

As the success of a distributive society must depend upon the amount of trade which it can do, it is desirable to place as little impediment as possible in the way of members joining,

* Section 9 (5 & 6).

by not requiring, as a condition of membership, the holding of more shares than the majority of those likely to join can easily afford to pay up. For though the same class of persons may place much larger sums in the society if it flourishes and they acquire confidence in it, at first, when this confidence does not exist, they may be easily frightened by the possibility of a loss. Many of the most successful societies have not asked for a larger subscription than £1 to be gradually paid-up. I am inclined to think this sum a good limit for a distributive society. If a rule is added that at least half the dividend to which the members may become entitled shall be accumulated till they hold any number of shares, say three or five, fixed as the holding for each member, the system, I believe, will work well, and give stability to the society without being a burden to any one.

For the advantages above-mentioned in the formation of societies, the present generation of co-operators is principally indebted to the action of the Central Board of the Co-operative Union, to which a hearty support will be given by all co-operators who have learnt to look on co-operation in the light in which these pages present it, as a connected scheme of action, having as its aim to use the vast powers of modern industry for the gradual elevation of the masses now crushed beneath the grindstone of competitive struggles. But there is another class of benefits, more commonly valued perhaps, which co-operative union has already placed within the reach of the co-operative body; those arising from the action of the Co-operative Wholesale Societies both in England and Scotland.

Few probably can fully appreciate the extent of this benefit, but those who fought through the hard battle, which co-operative societies formed before any such Wholesales existed, had to fight against the opposition of the private retail traders, in order to open the way to getting the articles they wanted to sell of as good quality and on as easy terms as their opponents. But this is entirely altered since co-operative

union has created great central institutions, which from the magnitude of their transactions can afford to employ skilled buyers, and get access to the best markets, where these buyers, dealing for ready money, and buying on a very large scale, can obtain the most favourable terms, which the magic of association places at the command of the smallest societies, equally with the largest. Large and prosperous societies sometimes imagine, and I believe, are in general mistaken in imagining, that they can obtain for themselves in the open market, on better terms than they can secure from the Wholesale societies, not only articles where the cost of carriage may give a great advantage to a local centre of supply, but even articles where there is nothing to be gained in this respect. But many of the largest societies, after trying both plans, have found that to be supplied through the Wholesale centres is more advantageous to them than the attempt to get their supplies independently of them. Their experience confirms what might reasonably be anticipated—the advantage to be derived from a well organized system of collective purchases, which shall utilize the custom of the whole body for the benefit of every member. It should determine every co-operative society, and certainly every new society, to join the Wholesale centre for the district where it is established, whether in England or Scotland. To do this, requires in each case a resolution of the society, agreeing to take up the requisite number of shares. In England, this is one for every ten members, as shown by their last annual return to the Registrar; and the shares are of £5 each, of which one shilling only is required to be paid; the remaining £4 19s. being gradually paid up out of the accumulation of the dividends upon their purchases and the £5 per cent. dividend on capital paid by the Wholesale to its Society members, according to the analogy of the dealings of the retail societies formed on the Rochdale plan with their individual members. The shares are transferable only. But the rules of the Wholesale give power to its committee to facilitate the transfer of shares from one

society to another, by paying to the transferring society its accumulated dividends, and thus secure societies against the risk of loss upon their shares, if at any time they desire to dispose of them.

In Scotland the shares are fifteen shillings each, of which one is required to be taken up for every member of the societies admitted, one shilling being paid on admission, and the remaining fourteen shillings paid up by the accumulation of dividends. As in England, the shares are transferable only; but arrangements may be made under a rule for the application of profits and interest in liquidation of debts to the Wholesale, by which a society desiring to transfer its shares may be allowed to reduce the amount payable on the transfer to the shilling charged on an original share, so as to produce the same security against loss as exists in England.

Having become a member of the appropriate Wholesale, a society will have the right of applying to it for advice as to the articles with which to commence business, and the quantities of each to be ordered. A list of such articles, for a society supposed to have from £40 to £45 applicable for purchases of stock out of its original capital, after defraying the necessary expenses of formation, including shop fittings and weights, was given by Mr. Morrison in the tract above mentioned. But as prices vary continually, and the quantities of each class of goods to be ordered must depend upon the sum which the society can afford to lay out, such lists are apt to be misleading. The best plan is to send to the Wholesale society a statement of this sum, whatever its amount may be, and ask to be furnished in return with a list of articles of which the purchase is recommended, specifying quantities and prices so as to absorb that amount, and to give an order accordingly. With this order, in the first instance, the cash is required to be remitted. In subsequent orders seven days after the date of the invoice is allowed for payment; and if payment is not made within fourteen days, the society is liable to be refused the execution of any subsequent order, till the previous one has been paid for.

This rule of short payments may seem hard on the retail societies, compared with the terms obtainable at the present day. For many wholesale firms are glad now to get co-operative societies on their books, and ready to tempt them by offers of credit to a course calculated to draw them away from the principle of ready money dealings, of which it is one of the great benefits conferred by co-operative societies on the working classes, to have led their members to feel the value and adopt the practice so extensively as has been the case. But every society which desires to place *its own business* on a sound basis should steadfastly resist this temptation. The terms of payment prescribed by the Wholesale centres can be no burden to any society which insists on its own members paying over the counter for the goods sold to them, since such a society must have got the money originally paid for these goods back again, together with the profit put upon them, before it can be under the necessity of ordering any more. The Wholesale societies only do their duty to the retail societies by kindly but firmly keeping them up to the wholesome practice of requiring cash payments from their own members, that they may be able to meet the demands of the Wholesales upon them. If the day should come when this practice is relaxed it would be an evil day for co-operative societies generally, as well as for the Wholesale societies especially; which would soon slip down from their present commanding position when they began themselves to require the credit they had been too easy in giving. It is better that a retail society should now and then be crushed, if it is crushed, through the reaction of its own mismanagement, than that the soundness, and therefore the healthy progress of the whole movement, should be endangered by the growth of that creeping palsy—retail indebtedness.

That there are cases where the prevalent custom of paying wages only once a fortnight makes it more difficult for the wage-receivers to pay for their purchases as they make them, I am aware. But it does not follow that the population, among

whom this mode of payment prevails, are to get out of the difficulty occasioned by it at the cost of other persons than themselves. After all it comes to this, that those who begin to buy at the store must either lay out a fortnight's wages at once, or keep for a fortnight enough in hand to pay for what they want as they get it; a matter which does not appear very difficult. The true difficulty in this case I take commonly to be, that in places where this practice prevails, the population are apt to be deeper in the shopkeepers' books than is usual elsewhere, and require a correspondingly greater effort to get out of them. But it must not be forgotten that the co-operative society is itself no small help to any who are earnest in their wish to free themselves from the clog of debt, by the savings which it will put in their pockets. Two shillings in the pound is a very common dividend for a well managed society to pay. Suppose the average consumption of a family to be £1 per week, and that it is two weeks in debt to the shop to begin with, one quarter's dividend might reduce this debt to fourteen shillings without any stinting in its customary expenses, and seven weeks of the next quarter would clear off the whole. With so much help from the system of Co-operation itself, a man must have very little energy who cannot escape from the slavery of owing money to the freedom commended by St. Paul, when he urges us to "Owe no man anything, but to love one another."*

The most important word in reference to the good management of a store has been spoken in the general maxim, Deal with the Wholesale Society of your district to get what you want of all that this society supplies, and Sell to your own members for cash only. The rule does not apply to cases where the cost of carriage may make it impossible for this Wholesale to supply any articles at the same price at which they can be obtained of good quality from local traders. But in many localities one of those articles—flour, when it cannot be obtained from the Wholesale, may

* Romans xiii. 8.

be advantageously obtained from Co-operative Societies, of which, as of the Wholesales other societies may become members, and thus realise as dividends all the savings effected by carrying on the business. A list of such societies will be found at the end of the Manual.

In regard to the general management of a store I cannot do better than repeat the excellent advice of Mr. Morrison. As soon as your rules are registered you must elect a Committee of Management. Probably the original committee will be principally composed of those who have been most active in setting the society on foot. But the committee may consist of more than can be thus supplied, and at all events from time to time successors will be required. And then Mr. Morrison's words should be heeded.

> Take care to elect men who can and will attend meetings; and let these be frequent, and let the financial position of the society be examined at every meeting. When co-operative societies have failed, in nine cases out of ten the blame lies with the Committee. They have lacked the moral courage to pull up sharply or dismiss a faulty Manager; or they have allowed him to let the accounts get into confusion, and perhaps to make away with the funds. Let stock be taken, at least, twice in every year; above all, let the Committee be careful never to allow their Manager to get the mastery over them in the purchase of goods. His duties are inside, not outside the store; to sell, not to buy. He will be tempted by private traders who will offer him a commission on trade done with them. He may honestly believe that tradesmen brought up to the business can do better for his store than a number of working men carrying on the very varied trades of the Wholesale Society, or he may be influenced by the offer of a commission. But, depend upon it, the commission is charged either in the price or the quality of the goods, as is the case also with the credit given by the firms which give credit. If you should find that, owing to the cost of carriage, you cannot buy of any branch of the Wholesale, the Committee should depute one of their number to go to some neighbouring town, and there ascertain the prices of one or two respectable wholesale dealers. They should never rely solely on the recommendation of their Manager; and if complaint is made by him of the quality of any goods supplied by the Wholesale, or by any merchant not recommended by him, they should not take the matter on trust, but examine the goods complained of for themselves.

I add that in the case of the Wholesales they should write direct to the *Committee of Management*, stating the

grounds of their complaint, and see if they cannot get it remedied before they go elsewhere.

In the general management of a store, the great principle, as Mr. Morrison suggests in another passage, is to do the business which will enable you to *turn over your stock* quickly. You must not forget the sound maxim that *a quick penny is better than a slow sixpence*. If you turn over your stock once a month, and get only 5 per cent. each time, you will make 20 *per cent. per annum more* than if you turn it over only once in six months and make 20 per cent. on it. For in the first case you will have 5 times 12, or 60 per cent., and in the second only 40 per cent.; and although, as will be shown presently, this quick turn over does not affect the rate of dividend on these shares otherwise than by tending to diminish the cost of capital and general expenses, it does affect it in these ways to an extent, which in the early days of a society may tell considerably on the surplus available for distribution.

This circumstance, the value of a quick turn over, makes it desirable to begin at first with groceries, which sell best because they are articles where only a few descriptions of things are asked for, compared with what is required in other kinds of business, such for instance as drapery goods, which change so much with the fashion, or even boots and shoes. No doubt a good deal depends in this case on locality. "In village shops we very commonly find boots and shoes, stockings, fustian trousers, brushes, and crockery at least of the coarser kinds of ware." And a committee who have their eyes about them, may be able judiciously to follow the lead of such a shop soon after beginning their business, and so get the custom of their members more completely. But even in these cases it is well for the new society to confine itself at starting to the articles which experience has shown to pay best because they are turned over most quickly, and to creep into other branches of business when they have prospered in this one first, and can do what they undertake well in consequence of their capital beginning to grow, as it is sure to do if they

are able to pay good dividends, and thus secure general confidence

But this brings me to a very important question about which there has been a great deal of late said and written, What rate of dividend societies should endeavour to pay? I reply, as large a dividend as the prices prevalent in the locality where the society is established make possible. But in the present divided state of practice on this subject, it is desirable to consider whether this is the true answer, or whether it is not a sounder answer to say, the society should not pay any dividend at all, but should follow the kind of co-operation introduced by the Civil Service Stores—the plan of selling its goods at such prices as will just pay the cost of management. I say this is the question to be considered, because each of these systems gives a definite intelligible rule of practice. All other plans are necessarily arbitrary. The choice logically lies between no dividend, or as large a dividend as circumstances allow. Let us examine these alternatives.

If any persons united to supply themselves with any articles, having no other object in view than that of obtaining these articles genuine in their kinds, and on the cheapest terms practicable by buying them in the gross, the natural plan for them to adopt would be to charge themselves only the actual cost of obtaining the goods originally, with the actual charge for the trouble of dividing them into such quantities as they respectively wanted. To apportion this expenditure equitably, that is in proportion to the amount of benefit which each derived from the transaction, they might probably agree to add to the cost of each article a rateable proportion of the charge for distributing it; but certainly it would appear absurd that they should put on to the original cost of the articles what they believed would be a good deal more than the charge for distributing them, in order from time to time to divide the surplus among themselves. The founders of what is known as the Civil Service system of distribution, did not profess to

have, and no doubt had not, any other object in view than that above stated. The system originated in the action of four clerks in the Post Office, who joined to buy a chest of tea and divide it among themselves. Finding that they saved a considerable sum by the operation, they determined to repeat it, and afterwards extended it to the purchase of other things which they required. The constitution of the Civil Service Stores is precisely what would reasonably arise from union for such objects, and such only.

But when this constitution is recommended, as it has been, as the model on which all plans of co-operative distribution should be based, or to which they should be brought as rapidly as may be, the question arises, Are these objects of the founders of the Civil Service Stores the only, or even the principal objects, that co-operators ought to set before themselves? and if they are not, is the Civil Service system the one best adapted to secure these main objects? For, if not, it may well be that in following this system co-operators may be casting away the oyster to secure the shell.

Now, if the view taken in this work, of what co-operation may do, and co-operators should aim at doing, is the true view, they have other and far more important objects to work for than merely to supply articles, good in their kind, at the lowest attainable cost; and the constitution of the Civil Service Stores, however well adapted to promote the latter object, is not at all adapted to promote the former, and therefore should not be imitated by any persons who set these further objects before them as their goal.

That the Civil Service Stores have done a great service to co-operators, I admit. They have drawn public attention to them in a way in which that attention probably would not have been drawn for a long time, by the growth of the Rochdale system of co-operation. They have taken root among the richer classes, whose large purchases, when they become concentrated by co-operative union, soon swell to amounts which impress the imagination by their magnitude. They have done great good to

these classes by accustoming them to the practice of ready money payments. They have fostered among them habits of union for purposes of common usefulness; and they may very possibly open the way to an action in regard to productive co-operation fraught with incalculable benefits to the working producer. The promoters of the system are not to be reproached, because, being conscious of doing a work highly useful to those whom it immediately affects, they have not endeavoured to give it a form which, though leading to far greater benefits had it succeeded, might not improbably have led only to failure. Indeed as they had to do mainly with the richer classes, it might well be the wisest policy, in order to promote the highest objects of co-operative action, to attract in the shortest possible time the largest possible number of wealthy customers; as to whom it was of importance, not to increase their power for promoting the common good, since this was already ample, but to induce them to use for that purpose the power they possessed. It is otherwise when we have to deal with the poorer classes, whose individual means are so small that only collectively do they become of importance. Now, co-operative union, carried on upon the Rochdale system, places in the hands of these classes without any burdensome effort on their part, this indispensable condition of their effective action for mutual help—collective income. When every £1,000 of business done, after paying all cost, and a dividend of £5 per cent on the invested capital, will yield a surplus income of from £100 to £125, gained by the members out of their household expenditure, without need of stinting any part of their usual outlay, it will be seen at once what a collective power they may thus acquire for any common purpose. Much has been said, and said justly, on the value of the system as a means of encouraging individual saving. Instances of the large accumulations made in various cases within a few years, by persons who, before they became members of a co-operative society, had saved nothing but were always in debt, have

been repeatedly given; while it has been shown from the Registrar's returns, that, taking the average of all the societies in England, the growth of accumulated capital invested in them has been equal to 60 per cent. of the sums paid as dividends on purchase. Stress has also been justly laid on the convenience of this system of paying dividends in facilitating saving to all who desire to save, by the insensible accumulation of small sums, which no one would take the trouble of laying by, whatever facilities for so doing a society might afford, if the society did not accumulate these savings for its members by the addition made to the cost price of the articles sold. But it is to the collective power, placed by the system in the hands of the members, far more than to their individual savings, that I attach importance.

The mass of the population can do little to raise their social position by what they save individually. They might do wonders by their use of the collective power put into their hands through co-operative union, if they could be brought to use it. To show this more fully belongs to the consideration of co-operation as applied to production. But here I would point out, that all which has been done by societies for the promotion of education*; all their contributions to the Central Board for the promotion of co-operation by its numerous publications, conferences, congresses, &c., as well as by the diffusion of the *Co-operative News*; all their donations, often not inconsiderable, for benevolent purposes, depend upon the existence of this collective income, and must cease, if it ceased. Even as savings banks, the security offered by them, which now in prosperous societies is more than sufficient since it rests upon the large excess of their income over their liabilities, would disappear as the income vanished. These

* It appears from a table compiled by Mr. Edward Barnish, the librarian of the Rochdale Pioneers, that in the four years 1875 to 1879, fifty-five societies in Lancashire having 102,944 members, expended £30,388 8s. 9d., and eighteen in Durham and Yorkshire, with 49,686 members, £6,539 10s. 10d.—*Co-operative News*, 1879, p. 726.

savings would naturally seek some more secure investment; and with their loss the power of the societies to support such institutions as the Wholesale societies, which occupy their commanding position mainly through serving as depositaries for the floating capital of their members, would, to say the least, be most seriously enfeebled.

I conclude, then, that for the poorer classes of the population, the true policy is to adhere closely to that system of business which, originating in the sagacity of a few poor men, has swelled to the large proportions now attained by it;* bringing with it great present good, and possibilities of a good far greater. Let them leave the Civil Service system to be used by the richer classes among whom it grew up, so long as they continue to prefer it. In the mean time we may observe for the sake of those societies which adopt the Rochdale system, that this system really assures much more completely than the Civil Service system the professed object of the latter, the supplying goods at cost price. For when the savings above ordinary retail prices are distributed as dividends on consumption, the whole surplus not specially appropriated is divided to the last penny. But goods professedly sold at cost price can never really be sold at it, even if the charge required for expenses is accurately known. There must be a margin left to cover the chances of the markets. And, though the surplus thus arising might be applied in reduction of prices in future, even that would not give back to the purchasers in the past the excess of what they have paid over what they needed to have paid; while the fact that such a margin will exist must offer to those who found a society on this plan a temptation to do, what the Civil Service Stores have in fact done, limit the number of the members, and appropriate to them the advantages derived from the sales to a large number of non-members. The practice is theoretically only what societies formed on the Rochdale plan usually do,

* See Appendix, Note 5, Summary of Results of Co-operation in Great Britain.

by admitting non-members to participate in dividends only to some proportion less than the full amount to which members may be entitled. The important difference is, that these non-members may become members when they choose by a very trifling payment, while the non-members in the Civil Service Stores must pay sums considerably larger than would make them members of a society on the Rochdale plan, in order to be entitled to buy, yet cannot become members of a Civil Service society without purchasing shares difficult to obtain and sold at a high premium.

It has been objected to the dividend system that it prevents the growth of Co-operation by checking purchases at the stores, in consequence of the high prices charged. The objection is theoretically specious, but experience appears to negative it, since it has shown that what is sometimes called a high dividend, a dividend of two shillings or two shillings and sixpence in the pound, conduces more to the progress of a society than a lower dividend of one shilling or one shilling and sixpence. Prices vary so much with the qualities of the things sold, that it is very difficult, in most cases, really to satisfy a purchaser who has not got the articles sold by a society and those sold at any rival shop before his eyes, so as to compare the two, that he really is getting more value for his money by buying of the society than he would get by buying elsewhere. Hence a society which relies for its attraction upon the lower prices of its articles is less likely to satisfy its members that they are really reaping a considerable advantage from dealing with it, than one which, not professing to sell at lower prices than prevail among neighbouring shops, can point at the end of the quarter to the dividend distributed among these members as an undeniable proof of the benefit of uniting to supply themselves.

Independently, therefore, of the reasons stated above for adopting the Rochdale system, to which may be added the absence of that bitter hostility among the neighbouring traders called forth by the Civil Service system; and consider-

ing only what is likely to make a society attract members among the working classes, I say, that experience speaks in favour of selling at such prices as will produce the largest returns which the competition of respectable private dealers in the locality allows.*

Assuming that, for the reasons above given, the members of any society decide to follow the Rochdale system, and charging the ordinary prices of the neighbourhood for the goods sold by their society, appropriate the surplus as dividends on purchase, the question arises, what relation should they establish between themselves and those whom they may employ, in regard to these profits? I answer, without hesitation, it should be one of participation in a common advantage. No doubt the establishment of a successful society is in itself a benefit to all employed by it; since, by becoming members of the society, they can obtain on their own purchases the same advantages as the other members. But this is a result following of course, without any special act of the members to determine it. More than this is required in order to foster that sense of mutual regard, which it ought to be the great object of all co-operative institutions to promote. For this purpose I would urge that the rules should provide, as I am pleased to say the rules of many societies do provide, for a direct share of the employés of the society in the profits of the business; and

* It has been observed above that a quick turnover may yield a much larger total of gain by a small margin of profit in each case, than is produced by a much larger margin of profits on fewer sales. £1 per cent. will yield on £100 turned over once a week £52 in the year, while to obtain the same result on a turnover of £100 a quarter would require a margin of £13 per cent. Hence there is a great advantage in a quick turnover in reducing the burden of all charges such as rent, rates, taxes, which do not increase with the increase of the business. In regard to wages this advantage may be less felt, because a quicker turnover means larger sales in the same time, which may require more persons to make them. While in regard to dividend, it must not be forgotten that where profits are divided on purchases more cannot be got back than is originally put on. £1 per cent. as profit on £100 turned over once a week will yield £52 per cent. per annum on the capital, but only £1 per cent. on the sales.

would call attention to a scheme for this object suggested by the General Rules, with the view, while it promotes the sense of common interest, to promote also the prosperity of the society. This plan is to form, for division among the employés, a fund, depending partly on the gross sales, so as to give them a direct interest in increasing the business of the society, and partly on the net profits, so as to interest them also directly in its economical management—the division of the fund among them being left to the determination of the general meetings.

Connected with this question of economical management is another, as I think, of much greater importance to those who set up a society than they are likely at first to suppose, namely, the guarding against excessive loss by leakage; that is by the multiplication of that almost imperceptible waste, arising in various articles, either from the laudable desire to give full weight combined with careless weighing, or from wasteful cutting up by which all that could be made out of any articles is not made, or from want of due care in keeping the stock. That a retail business can be conducted entirely without waste I conceive to be impracticable; but the waste may certainly be kept within moderate limits, such as fourpence, or even threepence in the pound,* while the accounts of societies show that it sometimes reaches sixpence, sevenpence, eightpence, if not higher sums, and thus seriously lessens the amount of dividend that can be declared. Tc guard against this danger, the best way, I think, is for the society to have an agreement with its storekeeper, when it can afford to employ one, by which the storekeeper engages to make good any excess of leakage above a stipulated amount per pound on the sales.

The gain, if the leakage can be kept below this amount, may be either taken by the society or given up to the

* Twopence is suggested as sufficient in a town. See *News* for 1879, pp. 701, 717, 733, 750, 765, 781, 797, and paper by Mr. W. Swallow read at Keighley, and subsequent discussion, *News* 1880, pp. 293-4.

storekeeper, or shared between them. The last plan is I think the best, because it creates a common interest in the matter, between the storekeeper and the members, which may dispose the latter to be lenient towards him if any losses above the stipulated limit are incurred from causes beyond his control, and to agree to such an allowance for leakage as will cover ordinary cases.

The guarantee to the society that its storekeeper will perform his agreement may be given by means of a bond with one or more sureties in addition to the storekeeper himself. A better plan, however, when it can be arranged, is to get the storekeeper to deposit with the society a sum which shall carry interest at the usual rate, and be made applicable to meet any claims upon the storekeeper under his agreement as to leakage, as well as any losses arising from fraudulent acts. Against these last, however, societies may guard by fidelity guarantee policies, which are issued by the Co-operative Insurance Company,* as well as by other guarantee companies. But these policies are limited to cases of dishonesty. They do not extend to losses arising from carelessness, against which there is no remedy but in such an engagement as above-mentioned, secured either by personal responsibility or a money deposit.†

* 3, 4, & 5, City Buildings, Corporation Street, Manchester.

† In a recently formed society where objections might be taken to the safety of a deposit in the hands of the society, the difficulty might be got over by the money being placed in the names of trustees, in some savings bank, or other society or company. Objection has been taken to the system recommended above, on the ground that it gives the storekeeper an interest opposed to that of the consumer, and thus endangers his falling into the fraudulent practises which have often disgraced private trade. To avoid this risk it has been suggested that instead of making the storekeeper directly responsible for loss by leakage, a stock-book which will clearly show this loss shall be kept, and carelessness be checked simply by requiring him to account for any excessive leakage shown by it, and dismissing him if he cannot explain the excess satisfactorily. But it is obvious that this system, even if it could be made an effective check in the hands of ordinary committee men, cannot bring back the money lost by any shortcomings which it may disclose. While if it is efficiently worked, and the situation of the storekeeper is one which he

But while guarding against loss by leakage, care must be taken also, not to sell less than the full weight, which besides the injury to the members buying, will subject the society to imputations very detrimental to its character, if it should be subject to any public prosecution for such practices. To prevent this danger, societies should have their scales examined by the district inspector from time to time, to see that they are accurately adjusted, since they are liable to wear away from use, and thus may expose the society to unexpected accusations.

Four matters remain on which a few words of advice may be useful to societies. I. Their seal: II. The publication of their name: III. Their books: IV. The use of checks or other means for ascertaining the amount of dividend.*

I. Every society registered under the I. and P. Societies Act, 1876, is required to make provision by its rules for the device to be engraved on its seal, which must always bear the full name of the society. The device may be whatever the society desires. Any characteristic word of its name, placed in the centre of its seal on a scroll or plate or within a ring, will suffice, the other words being placed round. It is not necessary to have any special device, as a symbol or motto, though this is often done, and is desirable because it leaves open the use of stamps bearing the name of the society, which may be a convenience, without risk of their being mistaken for the seal of the society. A seal of some kind is indispensable by the law of England for many acts, such as the issue

desires to keep, the danger of his attempting to conceal his carelessness by dishonesty must remain. The objection therefore seems to me of less force than the arguments for the system, though it may be desirable to guard against the danger indicated, by making the security given by the storekeeper include a provision against any fraudulent practice. There is, in my judgment, more danger of loss to societies from the indifference of their storekeepers to the results of the business than from positive fraud on their part. The leakage system, combined with a share in the profits of the business given to the storekeeper, seems to me the best way of checking this serious evil.

* For other matters relating to the law affecting co-operative societies, see the chapter on that subject.

of bonds ; the conveyance of land ; the grant of a lease for any period of time longer than three years ; the appointment of a nominee under the Local Government Act, &c., &c. It is regarded by the law as the solemn attestation of the acts of the persons or bodies by whom it is used. An instrument under seal has peculiar force attributed to it. The society would not be admitted to contest in a court of law any statement in such an instrument. Hence the importance of having the seal described in the rules, so that no one can be misled into taking for the seal of the society a mere stamp bearing its name. Hence, also, great care should be taken of the seal ; which should be always kept under lock and key, and carefully attested when used in the manner prescribed by the rules, that there may be no danger of the society finding itself bound by obligations entered into without its knowledge by instruments under its seal. The use of any seal purporting to be the seal of a society on which its name is not engraved as required by the Act, exposes the person using it to the penalty of £50.

II. The Industrial and Provident Societies' Act requires every society to "paint or affix, and keep painted or affixed, its name on the outside of every office or place in which the business of the society is carried on, in a conspicuous position, in letters easily legible, and have its name mentioned in legible characters in all notices, advertisements, and other official publications of the society, and in all bills of exchange, promissory notes, endorsements, cheques, and orders for money or goods purporting to be signed by, or on behalf, of such society, and in all bills of parcels, invoices, receipts, and letters of credit of the society."* The neglect to comply with these provisions exposes any officer of the society guilty of the neglect, not only to a penalty of £50, but also to personal liability to pay any bill of exchange, promissory note, or order for money or goods not signed as required by the Act, if

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39 & 40 Vict., c. 45, s. 10.

the society does not duly pay it. It should be borne in mind that the name thus required to be used is the *full* registered name of the society. I particularly insist on this, because, when the registered name of a society includes the name of the place where it is established, it is not uncommon for the society, at least in the heading of letters, to drop the place out of its own name, and intoduce it only in its address. The Blacktown Progressive Co-operative Society, Limited, of Blacktown, Lan-Yorkshire, for instance, will head its papers, The Progressive Co-operative Society, Limited, High-street, Blacktown. Now, such a title, though a sufficient postal address, and harmless as the heading of a common letter, would not be a sufficient compliance with the Act, so as to secure the officers of the society from liability, if the same practice were adopted in the heading of any of the documents above enumerated, and proceedings were taken under the Act to enforce the penalty. And it should be borne in mind that proceedings for this purpose may be taken, not only by the Registrar but "by any person aggrieved," as a person might be who was misled by such an imperfect statement of the name of a society into confusing it with another, suppose the Pioneer Co-operative Society, Limited, also established in High-street, Blacktown.

III. Full information as to the books which should be used by a society, desirous of keeping its accounts so that the results of its trading shall always be clearly ascertained, and of the mode of keeping them, is given in the System of Book-keeping, for Industrial and Provident Co-operative Societies, published by the Central Board. Every newly-formed society, indeed, I would say, every society which does not use a form of account settled by some one familiar with book-keeping, should procure a copy of this book, as a guide to the form in which its accounts should be kept. The books required for keeping the accounts in the form thus recommended are kept in stock by the Co-operative

Printing Society,* and may be obtained also of the Edinburgh Printing Company.† A statement of the cost of sets of these books, as well as the seals of societies, and the apparatus proper for their safe keeping and use, is contained in the Appendix.

IV. It remains to speak of the mode by which societies can most easily reckon up the trade done by the members separately, in order to make a division of profits among them.§

In the commencement of a society, especially one formed in a place where its members are accustomed to the use of shop books, the method that will probably be most satisfactory to them while it is the cheapest for the society, is to provide every member with a book in which the articles bought, with their prices, and the amounts paid, are entered and cast up, from time to time; the dividend being calculated on the amounts there shown; and a record of all these purchases, or at least of their total amount in each case, being made in a cash receipt book belonging to the society. A great advantage of this system is the power given by it to the committee of ascertaining, should this appear desirable, what goods have been sold, as well as of checking the money takings by the accounts of the members when they are brought in for dividend.

In the case of sales to non-members it would be necessary, in order to make the system complete, that the articles sold, with the prices of each, and not the totals only, should be entered. Indeed, unless this is done in all cases, the value of the plan as a check on the salesman is very nearly lost. But if these particulars are entered, the double entries, in the society's book and the books of the members, take up a great deal of time. To avoid this consumption of time, various plans have been adopted for the purpose, without so much writing, 1st, of ascertaining the members' claims; 2nd, of checking the money taken.

* 92, Corporation-street, Manchester; 40, High Bridge-street, Newcastle-on-Tyne; and 6, Salisbury-court, Fleet-street, London.

† Bristo-place, Edinburgh. A smaller work, prepared by authority of the Southern Section, called "Easy Book-keeping for Co-operative Societies," is also published by the Central Board.

§ The following account is principally taken from a paper read by Mr. W. Nuttall, at the Bolton Congress in 1870, and a paper by Mr. W. Swallow, read at Lancaster.—*News*, 1880, p. 439.

A Manual of Check Systems, price 4d., is published by the Central Board.

1. The plan which has come, I think, if not into the most general yet at least very ordinary use, consists in providing a number of metal tokens, commonly called checks, stamped with the name of the society and a number indicating some current coin, from ½d. or even a ¼d. up to a £1, which are issued from time to time to the salesmen, and given by them to the members according to their payments on articles admitted to participate in dividend. The tokens for values under £1 are usually required to be exchanged for others of that nominal value, on which the claim for dividend is calculated.

It is clear that this system cannot be any check upon the money taken, unless the amount of the tokens issued to the salesmen from time to time is accurately ascertained, and they are required to produce either these tokens or their equivalents in money. A very elaborate system of tokens of different forms has been adopted for this purpose at a cost stated to be nearly £1,000 by the Oldham Industrial Society, and is said to work satisfactorily. The fact that the Society has put itself to so considerable an expense, and considers this outlay to pay, is a strong evidence of the disadvantages attending the system as ordinarily practised, where the salesmen both give out the tokens and receive those brought in to be exchanged, and, in consequence, may, if so disposed, give out tokens largely in excess of the sales made without being detected. The complaints continually made by societies, that they find the claims for dividend permanently in excess of their receipts from sales to considerable amounts, indicate that this excessive issue often takes place, probably mainly from carelessness in the hurry of numerous transactions, coupled with a certain easiness of conscience in many members which allows them to appropriate without scruple a little extra dividend if they can.* Besides which, it appears that the tokens issued to non-members are sometimes purchased by members, who claim on them a larger dividend than the original holder is entitled to receive. Still these metal tokens

* See appendix, Note 7, on other matters relating to these check tokens.

have come into very common use for three reasons—(1) That they save trouble, since no writing at all is required; (2) That they do not rub to pieces or double up, and are therefore readily preserved; (3) That, not being evidence of any particular payments, no receipt stamp need be used in respect of the payments represented by them, though, on any occasion, they should exceed £2.

2. The difficulty of making the metal tokens any check on the money takings, arises from their being used as, in some sense a circulating medium. By giving up this notion, and using other substances than metal, the tokens may be made to serve as such a check. Suppose them to be made of card board, like railway tickets, each bearing the name of the society and the coin denoted printed upon it, but being distinguished by continuous numbers. If the number of such tokens of each denomination required for the business in any given time say a week, is issued to a salesman, suppose on Monday, and he is required on the Monday following to produce these tokens or their value in money, a check on the money taken would be supplied, which could scarcely be evaded, without immediate detection, by any other means than the use of forged tickets numbered similarly to some of those comprised in the weekly issue. For, even if the salesman could, by connivance with some member, purchase tokens previously issued, he could not use them unless they belonged to the series in use during the week; because the numbers would not be right; and if the account were taken every evening, as might be easily done if any fraud were suspected, and probably would be done regularly in a large business, it would be scarcely possible for any salesman, without being detected, to buy back tokens issued during the same day.

Tokens skilfully forged could be discovered only when the tokens brought in for dividend were compared with them. Then the duplicate numbers would bring the fraud to light. Hence it has been objected to this system, that frauds might easily escape detection, from the trouble of arranging the mass

of tokens brought in for examination in the order of their numbers. But this difficulty may be got over by providing a means by which the tokens belonging to the same part of the series can be easily brought together. In one case, where such a system of tokens was adopted, this means of classification was supplied by dating the tokens as they were issued. But this operation implies a continual expenditure of time, as well as the cost of a dating machine. A less costly and equally efficient plan would be to have each set of tokens made up into packets, containing say, 50 or 100, each packet having a distinctive number conspicuously printed on each token contained in it. By noting the numbers of these packets issued to any salesman from time to time, and the value of the tokens in each, the sums for which he was accountable and the dates of each issue would be ascertained; while by grouping the tokens as they were brought in under their common numbers, the labour of arranging them in continuous order would become light.

The system of exchanging tokens of denominations smaller than £1, or any other minimum amount on which dividend is calculated under the rules of a society for others of this nominal value, might be applied to these cardboard tokens, as well as to those of metal. And if these dividend tokens were issued only by the secretary or some person specially appointed by the committee to discharge this office, so that there would be no temptation to the salesman to issue the tokens over again, as might easily be the case, if any belonging to the series actually in use came into his hands. *

3. Cardboard is, however, a somewhat expensive material. A cheaper sort of tokens was formerly adopted at King's Lynn, in Norfolk.† It consisted of sheets of paper divided by perforated lines into spaces, on each of which some nominal value was

* The labour of sorting the tokens might be considerably lightened if a box were provided with as many divisions as there are groups of any denomination of tokens in use at once. The tokens could then be sorted as they came in, merely by throwing them into the appropriate divisions.

† By a society now defunct.

printed, beginning with ¼d., and advancing by steps of ½d., ¾d., &c., up to 1s., and then by steps of 1s. up to 10s. Each sheet contained a large number (say 50 or 100) of the denomination represented by it, and had an index number printed upon the margin on one side. The sheets were made up into books by means of two pieces of wood screwed together placed between the margin and the perforated spaces, and were used by turning by means of the index to the one containing the required sum, tearing off one of the tokens and giving it to the purchaser in exchange for his payments. Each of these sheets would represent one of the packets of tokens described above, and, like it, might have printed on each token a common number, and also a distinctive, continuous number, so that it would offer the same security against fraud as those already noticed.

The most serious objection to the plan is the number of sheets used, and the loss of time consequent in pitching on the right one.* But if the practice, adopted in the case of postage stamps, of letting the higher numbers be expressed by an addition of units, were adopted, the sheets required might be reduced to four, which might be made up into books. namely:—

1. For farthings up to ... ... ¾d.
2. ,, pence from 1d. to ... ... 11d.
3. ,, shillings from 1s. upwards.
4. ,, use in larger sums ... ... 5s.†

It would be easy to distinguish the different sets of tokens expressing different values by differences of colour. Those issued to different salesmen in the same department would be distinguished by differences of numbers; while those issued to different departments might bear distinctive letters; as D for Drapery, B for Butchery, &c.

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* At King's Lynn each book consisted of 57 sheets, namely, 47 for farthings and pence, and 10 for shillings.

† Since in every case except that of single farthing, penny or shilling, at least 2 tokens would be combined, these tokens might be made half the size of a postage stamp without danger of their being lost. For further suggestions on this matter, connected with the use of check cards, see Appendix, Note 7.

The case of sales to non-members would be met by furnishing the salesmen with stamps with which to mark the tokens issued. In the case of articles, such as sugar, not carrying dividend, they would simply keep and produce the tokens.

In regard to both these classes of sales, however, the system is imperfect. A dishonest salesman might give out ordinary tokens, unstamped, upon sales of sugar or sales to non-members, on an understanding that he was to share in the dividend obtained by their use. Still, this roguery would not affect the check on the moneys taken, while, as it must involve the concert of other persons, and therefore incur the greater liability to detection, for a small gain, and that not immediate, it is not very likely to be practised.

Apart from this danger, considered only as a means of controlling the money takings, the system appears to be very complete at a very small cost, namely, that of the tokens employed, and the trouble of examining them.

To estimate this cost it is necessary to form an idea of the number of tokens required for any given amount of trade. The data for this purpose in the case of metal tokens were obtained by Mr. Morrison from the experience of the great Halifax Society, whence the following table is formed.

Quantities required for every £1000 of goods sold, according to the experience of the Halifax Society:—

Nominal value.	Number of checks required.	
	On sale of £1000.	On sale of £10 a week.
10s. ..	... 228 ...	... 30
5s. ...	... 1000 ...	... 130
1s. ...	... 7000 ...	... 910
6d. ...	... 5500 ...	... 715
3d. ...	... 5000 ...	... 650
1d. ...	... 10,000 ...	... 1,300
½d. ...	... 7000 ...	... 910
	35,728*	4,645

*If tokens for intermediate numbers were used the number of 1d., 3d. and 6d. tokens might be diminished, but the total number would probably be somewhat increased, because there would be more unused.

To these must be added, if the smaller tokens usually made of tin are to be turned into £1 tokens, usually made of copper, before they become entitled to dividend, 1000 £1 tokens. So that the total number for a trade of £1000, will be 36,728.

The calculation is based on the business of a quarter. Dividing £1000 by 13, it gives us £76 8s. 4d. as the amount of weekly sales, which would require this number of checks, to represent it. That is to say, if account is taken of the time which the tokens issued remain out on an average before they come back to the society, it will be found, that, for every £10 of weekly sales, there will be wanted 4645 tokens of the different denominations above stated, in addition to the 130 tokens of £1 each, into which the smaller tokens have to be converted.*

In comparing the cost of the different systems, it must be remembered that the metal tokens are continually re-issued while both the paper and cardboard tokens are supposed to be used once only; so that though their cost must be considerably less at first it is constantly renewed; but with the probable compensation of saving a great deal more than the cost, by the losses which it may prevent the society from sustaining, as well as the satisfaction of feeling that these tokens afford a real check on the money taken. At King's Lynn this consideration alone appears to have been regarded as a sufficient reason for adopting the method used there. For the system is stated to have been combined with the use of metal tokens, for which the paper tokens were required to be exchanged as soon as they were issued. †

4. The necessity of keeping the paper tokens as the basis of a claim for dividend was thus avoided. But paper tickets have been largely employed for this purpose, though in a somewhat different form, by a system of summarized entries,

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* The terms on which these tokens will be supplied by different manufacturers are stated in the Appendix, Note 6.

† In this case, however, the tokens were not numbered.

in which the amount of each purchase is required to be entered by the salesman, by what is called the carbon process. On this plan the salesman is furnished with a book containing duplicate divisions, similarly numbered, in sets so arranged that one set, which is separated by perforated lines, either lies under or over the other not so separated, or can be brought under or over it by folding the page. The salesman places a piece of carbon paper between these sets ; enters with a hard pencil on the upper one the totals of each purchase which are reproduced on the corresponding lower division, tears off the division separated by the perforated lines, and gives it to the purchaser to whom it serves as a warrant for dividend ; while the other part remains in the book as a record of the sales, and can at any time be compared with the one given to the purchaser by means of the number printed on each.

This system admits of many modifications depending on the number of spaces comprised in each page of the books used by the society, and the order in which these spaces are arranged, either side by side or under each other. For the convenience of casting, however, the entries should be made in divisions following each other from the top to the bottom of the page, and not placed side by side. And there should be several divisions on each page, Mr. Nuttall says at least twelve. It is also important that the division given to the purchaser should always be the lower one, for the following reason. The protection to the society in this plan depends on the watchfulness of the purchasers over their own interests. It is assumed that they will not accept a ticket on which less is entered than they have paid, while the salesman will not charge himself with more than he has received. But if the division given to the purchaser is that on which the salesman writes, he may contrive, by not placing the carbon paper underneath it, to make no distinct mark on the lower division, which, therefore, he may fill up with a figure representing a sum smaller than that actually paid, pocketing the difference. I

have known this to be done in a case where the fraud was discovered only by a purchaser who happened to be the daughter of a member of the committee, having noticed in the conduct of the salesman when making the entry of her purchases "something odd," which she mentioned to her father. But if the purchaser receives the lower division, and the entry upon that is correct, it must have been distinctly made upon the upper division, and any attempt to alter it afterwards would be liable to immediate detection.

5. As in the case of the paper tokens used at King's Lynn, so in these systems of tickets, the plan is sometimes combined with the issue of metal tokens, on which the claim for dividend is to be based. These are obtained from a clerk, commonly a lad, who files the tickets and issues the metal tokens for the amounts entered; when, if every thing is right, the metal tokens, the duplicate purchase tickets, and the amount of cash ought to correspond. In this form the system approaches that commonly in use in large private shops, and carried to great perfection at the Civil Service Stores. There no salesman is allowed to handle the cash at all. He makes out a bill of the goods sold on a slip of paper, which is given to the purchaser. The purchaser takes it to a clerk, who receives the money, enters the total and the name of the purchaser in a cash receipt book, stamps and initials the bill, and returns it to the purchaser, who gives it up in exchange for the goods to the salesman, by whom it is filed as a record of the transaction. In most departments of the stores, though not in all, the bills are written in duplicate by the carbon process. Both are stamped and initialed by the clerk who receives the money, and the purchaser keeps one. The stores also provide papers specially headed for customers who write out their own orders, and in some cases provide clerks distinct from the salesmen by whom orders may be written for the customers. When the goods are not taken away, the purchaser writes his address on the orders, which are separately filed. In the grocery department of the C.S.S.A. there are two sets of clerks, one to

examine the bills, and the other to receive the money, both of whom enter the amounts separately.

That this system furnishes a very complete check, both on the money taken and the goods sold, will, I think, be admitted. It would be easy to combine it with the issue of tokens as the basis of a claim to dividend, and it may be worth considering whether some modification of it, requiring fewer clerks, might not be introduced in other stores, with the advantage of supplying a fuller record of the transactions than is given by the plans above described. Since none of them fully meet either the cases of sales to non-members or that of articles not carrying full dividend, or afford any means of checking the goods sold so as to furnish some help for ascertaining whether any are being improperly made away with.

Some further suggestions on this matter, which I hope may prove useful, will be found in the Appendix.

A few remarks, in conclusion, on some matters affecting the progress of societies, which sometimes fall into practices injurious to their growth.

1. The first of these relates to the selection of their officers. A disposition occasionally appears to give every member a fair turn—as it is called—to let every member in succession have a seat on the committee, and every member of the committee in turn be president.

Now that it is of advantage to a society that its members should become generally acquainted with its affairs more minutely, than they can well become only by attending the usual quarterly meetings, may be admitted. But the best way of producing this effect is by monthly meetings, where there may be ample time to ask questions, obtain explanations, and consider suggestions.

It is of great importance for the growth of a society to have at its head, men who can manage its affairs well, and who will give to them the time and attention necessary for seeing that they are properly conducted. In the early life of societies it is not unlikely that a good many changes may be required

before the men fittest to manage are got into the place fit for them. But if they are found, and the fruits of a prosperous business, show that they have been discovered, the sound rule is to continue them in the management. The consideration uppermost in the mind of every true co-operator must be that the society should prosper, not that he should be at its head. Societies should endeavour, by their practice, to foster the growth of this spirit, which they certainly will not do by the habit of frequent change.*

2. A second matter touching on the general management of a society to which much less importance is often attached than it deserves, is the cleanliness, neatness, and general good order of the shop. Co-operative societies having their customers ready found, do not want the attractions of mere show, by which private traders often try to create a business, and should avoid the waste of money occasioned by them. But they should carefully check any sort of slovenliness within. For not only does a dirty, ill-arranged shop tend to drive customers away, but it tends to beget a careless, happy-go-lucky way of conducting the business, which must be very detrimental to it. There is a close connection between men's surroundings and their disposition. If the energetic man moulds his circumstances to his will, those circumstances in return, continually mould to their likeness the less active spirits subject to their influence. A society which would have its business thrive, should take care that the appearance of its shop is such as a thriving business commonly presents.

3. Connected with this good order in arrangements, but still more important, is the good order and careful auditing of the accounts. Probably more societies which have failed after getting under weigh, have been wrecked on the rock of

* If, notwithstanding this danger, any society desires to vary the composition of its committee, it would be well for them to adopt a regular rotation of the order in which the members shall be eligible, so that there shall be no risk of the society being split into fractions over the elections, and those not in office may not feel themselves unfairly treated.

bad bookkeeping and imperfect auditing, than have perished from any other cause. The extent to which carelessness in this respect is sometimes carried is scarcely credible.

I have been furnished with the particulars of a case where the committee met only once in six weeks, leaving its affairs to the secretary. The secretary left them to the storekeeper, who made out his own balance sheet, which the secretary and auditors signed without verifying it. With such an absence of check on the expenditure, it cannot be surprising that the assets of the society were found at last, to the great astonishment of the members and committee, to have mysteriously disappeared.

4. In auditing it must be remembered that the duty of the auditors is two-fold: 1st, to verify every item entered in the balance sheet, by requiring the production of the proper vouchers for it; 2nd, to cast all the totals, and satisfy themselves that they are correct; not to content themselves with seeing that they correspond with those entered in the sheet. This duty is expressly laid upon them by the Industrial and Provident Societies Act, 1876, which requires them, once at least in each year, to revise the general statement of the receipts and expenditure, funds and effects of the society, and verify the same with the accounts and vouchers relating thereto, and either sign the same as found by them to be correct, duly vouched, and in accordance with law, or specially report to the society in what respects they find it incorrect, unvouched or not in accordance with law.

It is a duty which every society that values its own safety and prosperity should be unflinching in requiring to be properly performed. If it cannot find among its members any who will perform the duty properly it can always obtain, by applying to the Registrar's Office, the names of the public auditors appointed for the district where it is established, and will act far more wisely in paying the necessary cost, though it may perhaps appear high to the members, rather than expose itself to the danger of having untrustworthy accounts.

5. Another matter bearing on the internal management of societies deserves notice, because very incorrect ideas often prevail about it. This is the powers of general meetings, more particularly of special general meetings. It seems often to be supposed that the resolutions of such a meeting override the decision of the committee of management on matters expressly assigned to them by the rules without any reservation to the members of a revising power. But this is a complete mistake. The rules bind all the members, and the acts of any officers of the society under the powers given them by the rules have the force of the rules, and can be set aside only in a way consistent with them. Where the rules are silent, a society, as a body corporate, has power to bind its members by resolutions passed at a meeting properly convened until some other meeting similarly authorized rescinds or varies them. But these resolutions have no power at all against the rules, which rest upon the authority of the Act of Parliament, and confer a like authority on those who are acting under the powers derived from them.

6. The last case is one where a minority, standing on the rules of a society, can control a majority which would act in opposition to them. But other cases may arise of a more difficult kind, where a minority, finding itself over-ruled on some point which it feels strongly, it may be the discharge of a manager in whom they have confidence, or, perhaps, even one of so much importance as a determination to allow sales on credit, may be disposed to avail themselves of the power of withdrawal, if the society is so constituted as to allow of its exercise without restriction, to secede from the society and form a new one of their own. It is sometimes asked is such conduct justifiable? The answer must depend on the light in which we regard the functions of co-operation. If co-operative societies are regarded only as separate units, each striving to do the best it can for itself, there is no good reason to be alleged why these units should not split into lesser units if any of the members composing them think it more to their advantage so

to do, than to remain part of the larger unity. But, if co-operation is what in these pages it has been represented to be, union for the purpose, by the joint strength of its members, systematically to work out for the mass of mankind a social state far higher than any hitherto attained, then whatever tends to weaken this spirit of union is treason to the great cause of humanity; and therefore all such secessions, since they unquestionably have this tendency, must stand condemned at the bar of those nobler aims which the co-operator is bound to keep in view. Men have been sometimes driven unwillingly to secede from those who have endeavoured to force upon them professions of belief, contrary to their convictions of what is true. But no such interference with the liberty of thought is to be feared by the members of co-operative bodies, whose differences resolve themselves into differences of means for producing a common end, and should therefore never be permitted to divert them from the principle of union with which the attainment of this end is bound up.

Chapter 3.

CO-OPERATION IN ITS APPLICATION TO PRODUCTION.

Mankind cannot generally live on distributing. Only a comparatively small proportion of the population which it is the object of co-operative distribution to reduce to the smallest number required to do this work, can thus live upon the amount of produce that other men are willing to give up to them in consideration of the services they render in facilitating the use of the remainder. But on production the material well being of the whole body of mankind depends. The sum of enjoyable things which can be distributed among any population necessarily depends upon the mass of enjoyable things produced. The degree of enjoyment placed within reach of the body of the people in any locality largely depends on the conditions under which the production constituting the means of their subsistence is carried on there. Even their moral character is influenced directly or indirectly by these conditions, which in countless ways continually affect every part of their lives from infancy to old age. Hence the vast importance of co-operative production.

It is often said, and said truly, that the evils under which the poorer producers suffer arise rather from defects in the distribution of the enjoyable things now produced than from the mode of their production; but the imperfections in distributing alluded to in this saying, are scarcely touched, far less remedied by the system of co-operative distribution explained in the last chapter. For all that this system does for the poorer class, is to make their existing incomes go a little farther than they would otherwise do. It does nothing at all towards adding to

these incomes except in so far as it offers inducements to save by making saving easy. "The store, it has been said, is open to every one." Yes, every one who can pay for what it supplies. "Its benefits are for all." True, in proportion to their independent means of appropriating them. "The larger a man's family, it is argued, the greater the advantages conferred on him by co-operative distribution." Certainly, if his income grows as fast as his family. But the family may starve without the store coming in any way to his assistance. Its gifts are strictly bounded by what it first receives. Its bounties are always for "him who has," not for "him who has not;" to whom it denies, and, if it is conducted on sound principles, must deny even that amount of trust which he will often receive from the private trader. For he may hope to be recouped at some future day for all these advances, and has in the profits of his business a fund, which he can apply in making them, while in a distributive society this fund is strictly pledged to pay the dividends due to a body of purchasers who need no trust.

That the distribution of profits on purchases has been of great advantage to large bodies of the working classes, from the savings which the system has led them to make, I do not for a moment question. That numbers who, before they became members of a store never had a shilling but what they forthwith spent, have found themselves the owners of many accumulated pounds through the savings made by the store for them out of the shillings which they spend at it, I am fully aware. I do not dispute the value to them of this result. Still, I must say, the store will not give them the original shillings. They may grow rich, as the old Yorkshireman said only by eating and drinking, but they must get elsewhere than at the store, wherewithal to pay for what they eat and drink. To obtain this "wherewithal" by co-operation, they must pass from co-operation for distribution, to co-operation for production. They must press into their service that more fundamental sort of distribution attached to pro-

duction, which determines what men shall receive directly in exchange for their labour. They must not rest satisfied with the sort of distribution effected by the distributive society, which simply enables them to exchange what they have thus earned for other things which they happen to desire.

Those who set the present distributive ball rolling, the justly celebrated founders of the Equitable Pioneers Society of Rochdale, clearly defined this object of the system which they introduced, in words often repeated, but still well deserving repetition, because by the co-operators of the present day, they are far too much lost sight of. They declared the objects of their Society to be—

To form arrangements for the pecuniary benefit and the improvement of the social and domestic condition of its members, by raising a sufficient amount of capital by shares of £1 each, to bring into operation the following plans and arrangements :—

1. The establishment of a store for the sale of provisions, clothes, &c. ;

2. The building, purchasing or erecting a number of houses, in which those members desiring to assist each other in improving their domestic and social condition, may reside ;

3. To commence the manufacture of such articles as the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages :

4. As a further benefit and security the members of the society shall purchase or rent *an estate or estates* of *land*, which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated :

5. That as soon as practicable the society shall proceed *to arrange the powers of production, distribution, education*, and *government*, or in other words, to establish a self-supporting home colony of united interests, and assist other societies in establishing such colonies.*

They were not afraid, these "owd" weavers, of the ridicule certain to be poured by the unbelieving world, if they thought them worth any notice, on the smallness of their means, twenty-eight shares of £1 each, contrasted with the greatness of their ends. Still less should co-operators draw back from them now. For these are the true ends to be set before them-

* "Self-Help by the People : History of Co-operation in Rochdale," by G. J. Holyoake, Parts I. & II.

selves by all who desire to realise the ideal of co-operation—the gradual substitution of a state of society resting upon reasonable agreement determining the action of natural forces, in place of the present system which rests on the play of natural forces determined by the struggle for existence. Now in this scheme distributive co-operation appears in its proper place, as the road leading to production, which again is placed in its true position, of a means to the improvement of domestic and social conditions, by associated dwellings. The impotence of distribution, taken alone, for effecting the ends of co-operation, is clearly indicated in this memorable programme.

But the idea embodied in the distributive store is not only thus impotent as an instrument of social progress, but if it gains a decisive hold on men's minds, it may even become an obstacle to that progress for the reasons following. The store deals essentially and primarily with things. Its function is to enable its members to obtain that of which they stand in need, better in quality or cheaper in price, or both, than they could do without its aid; and there its proper office stops. Distributive societies have indeed often gone beyond this point to employ their collective funds in various ways for the benefit of their members. They have formed libraries and reading-rooms, have published periodicals, have established science and art classes, have instituted musical and other entertainments for the advantage of their members, for whom prosperous societies commonly provide meeting places of their own in co-operative halls. They have gone even farther in the direction pointed out by the Rochdale Pioneers, by purchasing lands and building houses, to be sold to their members and paid for by instalments, spread over long periods so as to make the payment easy, or advancing money to enable them to purchase lands or houses, or to build houses, which shall be a security to the societies for the repayment of these advances in a similar way. But all these beginnings of collective action, useful as they are more or less in themselves, and valuable especially as evidence of an

instinctive sense that co-operation has more to do for the good of mankind than that which the distributive society can supply, are but feeble expressions of that profound human sympathy, that mutual regard for each other, that higher spiritual life which, as they constitute the co-operative disposition, it should be the especial work of co-operative institutions to develope and spread, so far as this lies within the power of any institution.

Now, what the distributive society cannot do in these respects it is the function of the productive society to do, or prepare the way for its being done by means of the social organization to be considered more fully in the next chapter. Thus co-operation will be raised from the ignoble office of a union merely in order to get things cheap and good, to the noble function of an institution by which men may be gradually made better, and therefore both happier and better off.

The function of co-operative production in this respect is so powerfully stated in a paper entitled "Some Hints on the Problem of Co-operative Production," written by the present Registrar of Industrial and Provident Societies, and read at the Congress at Newcastle in 1873, that I make no apology for reproducing it here, accompanied by a few remarks to meet the objections raised to this idea of co-operative production by those who would make of it a mere handmaid to distribution.

"I regret exceedingly," says Mr. Ludlow, "that I am not able to attend the present Newcastle Congress. Of all the practical questions which co-operation has to solve, that of the organisation of production seems to me the most important. It is one that has been constantly before my mind for over the last twenty years, and I feel anxious to say a few words upon it. They may seem to many very vague and unsatisfactory, and yet perhaps may not be without fruit to some. I think it may be said that by this time three distinct views on the subject have been more or less expressly formulated in the movement, with a great variety of intermediate opinions. According to the first, co-operative production should start entirely from the existing centre. The Wholesale should take up one by one all branches of production for which it can provide a sufficient demand, and carry them on as incidents to distributive business. This might be called the plan of organising production from above. According to the second view, held, I think, generally as second-best to the first, and which may be looked upon as the

first in a state of arrested development, production should at least be federative; societies alone should be members in a productive body, individual share holding being excluded. This may be called the organisation of production from within. According to the third, productive co-operation should be solely or mainly individual. This would be the organisation of production from below. Now, the first thing I wish to say is that every one of these three plans, if urged to the exclusion of the others, appears to me likely to prove wrong and mischievous; that every one of the three, if worked on right principles and in the right spirit is capable of being usefully carried out; and that in the present stage of the movement at least, the circumstances of each particular case must decide which of the three is to be preferred. Where manufacturers of a particular article refuse to sell it to the Wholesale, or to deal for it on fair terms, or to give it in a pure state, the Wholesale is perfectly justified in taking up any branch of production, provided it carry on such production in a true co-operative spirit. What the Wholesale is justified in doing, any number of federated societies are justified in doing in like manner. And surely any number of working men employed by another in producing a given article for the profit of that other are equally justified in saying, we will produce the article ourselves. The question, then, is one of the principles on which, and of the spirit in which, not of the form in which, the work is carried on. And here, unfortunately, I have a most ungracious task to perform. Agreeing entirely in the recommendations given by Mr. Holyoake, in the preface to his 'Logic of Co-operation,' that there should be 'a partnership of labour and custom in every society, and that labour should have adequate self-protecting representation,' I fear that the tendency of his pamphlet, taken in conjunction with the views expressed in the *Co-operative News*, by a few other gentlemen of weight in the movement, threatens considerable danger to the movement. Mr. Holyoake's hero is the 'Poor Consumer.' 'Consideration for the Consumer,' he tells us, is the 'primary stepping-stone' in the path of co-operation. 'The consumer is, after all, the person to be most cared for,' is the comment on his paper in the *Co-operative News;* 'if we look after the consumer we look after everybody, for every human being is comprised in the description.' And Bastiat is appropriately quoted—Bastiat the most brilliant votary of competitive plutonomy—as an authority for the banner under which co-operation has henceforth to march. Now, on the surface of them, all the above propositions are true to truism. No doubt, since the present English co-operative movement has its main source in the co-operative stores, 'consideration for the consumer' was the first stepping-stone in its path. No doubt every human being is a consumer, and in looking after the consumer we look after everybody. But if we dig ever so little below the surface, a very different set of truths will discover themselves to us. Although the experiment might take the form of co-operative consumption, it was consideration for the producer that really was the first stepping-stone in the path of co-operation. The co-operative store was primarily the attempt made by producers to make their earnings go further by savings on their consumption. The reason why it has rooted itself in the affections of the people is that it rescues the producer from slavery to the truck shop, to

the publican, to the tallyman, frees him from debt and from prison. It is the powerful bearing which it has thus upon his condition that constitutes the link between our own co-operative movement and that in foreign countries, starting, as the latter does in general, directly from the ground of production. Drop this out of view, treat the movement as one of which the consumer merely as such, and not the producer as consumer is the object, and whatever so-called bonus you may hold out to labour, you will estrange that movement from the sympathies of the working class both at home and abroad. But you will do more. You will degrade its character altogether. Instead of vindicating the true principles of human society against abuses which darken and pervert them, you will fall yourselves into the very net of those abuses. Consideration for the consumer is no new thing in the world. Competition proclaims his interest to be bound up with its own. All popular plutonomy professes itself devoted to it. To divide profits quarterly or half-yearly with the consumer, as the result of a new social machinery called co-operation, may be a very good thing for him. But every ordinary trader who, by reason of some new invention, or of the opening of some new source of supply, or simply for the sake of cutting his neighbour trader's throat, lowers the price of an article to the public, does precisely the same thing by way of discount. Consideration for the consumer may be the first stepping-stone in the path of co-operation. But that stepping-stone is the first in a great many other paths too, which lead to very ugly goals—idleness, selfishness, tyranny above; flunkeyism and slavery below. The world is only too willing to fall down and worship before the mere consumer, the consumer as such—before the man who can absorb into himself as large a portion as possible of the fruits of other men's labour. The world is only too ready to proclaim that consumption is honourable. The producer himself is but too apt to accept the sentence; to think that he is inferior to the consumer, just because he labours, and the other enjoys; to look forward to a stage of pure consumption without effort to produce as his supreme happiness. And if the great social and democratic movement of our age has any meaning and value at all, it is just so far as it tends to the very opposite of all this, to raise the producer to his true dignity, to subordinate mere consumption altogether to production; for say what you will of the two elements in man, consumption and production, the latter is the higher. Consumption is primarily the animal element; production the divine. He shares the former with the meanest of creatures; the latter with his Maker. If we take production in its widest sense, as comprising all effort of a kind in anywise fruitful, all that acts not merely to displace or replace, but to develope, to make more out of less, we may say that man only begins to be man when he produces. Again, consumption, though it may be used for the highest purposes, is in itself a selfish act—the man appropriates something to himself. Production, even when its purpose is most selfish, is in itself, essentially unselfish; whoever produces, whoever works, must begin by spending himself. Consumers, you say, are all the world; yes, but from another point of view, all the world consists of producers, and of those who are burthens upon production. As a mere consumer, that is except so far as he restores directly or indirectly to production some-

thing more than he takes from it, the human creature has a very minimum of right.

If any six human beings are on an island together, how is social order to be introduced among them? In other words, how are they to co-operate? All consumers, cries the Bastiat worshipper! Consideration for the consumer must be the first stepping-stone in the path, repeats another after Mr. Holyoake. Well, of the six, five are pure consumers, one is a child, one a madman, one a beggar, one a thief, one a murderer, and the last is a decent fellow, able and ready to work, in other words a producer. Now, the only consideration which, I maintain, is due to the five consumers, is this—that the one producer should obtain mastery over them all; that he should exercise authority over the child, in order that he may learn to make himself useful; so deal with the madman as to prevent his doing mischief to himself or to others, and, if possible, to enable him to recover his wits; so coerce the beggar and the thief as to compel them to earn their bread; and, finally, hang the murderer to the nearest convenient tree branch. Observe, that it matters little whether the consumers in question be poor or rich; the beggar and the thief are presumably 'poor consumers;' all the three others may be so too. It is because they are mere consumers, who either cannot or will not restore to production what they take from it, that they have absolutely no right, though five to one, to exercise any control over the producer, but that the right to control them passes by the moral necessities of social life over to himself. I have said this much, in order to point out the dangers of the line of argument which I see pursued by several of our friends. I have no wish myself to sever production from consumption. In the body politic as in the human body, consumption without production, production without consumption, alike is death. The essential point is to keep up the due relation between the two—to remember that as men habitually produce that they may consume, so they should always consume that they may produce. Looked at from this point of view, consumption, which is in itself purely destructive, becomes the great conservative force of society—not antagonistic to production, which is its progressive force, but serving to it as a source of maintenance and development. What co-operation really aims at is to turn all producers into consumers, all consumers into producers; to bring out the powers of acquisition and enjoyment among the millions hitherto absorbed in production alone; to render all consumption fruitful, and so to speak, reproductive. I therefore entirely approve of the view that production should be chiefly favoured in those branches for which a sufficient demand can be found within the four corners of the movement itself. This is emphatically what I mean by making consumption reproductive. But from the moment production is entered upon, the producer, I consider, and not the consumer, be he poor or rich, should be the primary object of co-operation—consideration to him the primary stepping-stone in the path. The main question becomes one, not whether you or I as consumers should buy a given article so much per pound or per yard cheaper or dearer, but whether the men who spend themselves on the production of that article shall or shall not have the primary claim to the fruits of their labour. Let that claim be first

admitted, and the claims of other men to share also in those fruits, on the ground of the help they have given, by capital, skill, or consumption, towards their being brought forth, will, I think, without difficulty, be admitted.

But it follows from what I have said that it is not only the right of productive associations to constitute themselves on their own basis, but that a preference should be given, for productive purposes, to associations of producers. Surely, if the productive side of the co-operative movement were to issue only in the benevolent mastership either of the Wholesale or of any number of co-operative bodies grouped in strict federations, we should have done very little, and that little would be in danger of becoming ever beautifully less. The momentous question of the future, as it seems to me, is not whether the producers are to be under better masters than heretofore, but whether they can be their own masters, and yet do the world's work manfully under the eye of God. Very little is done towards such a solution when you have merely turned them from the servants of particular men into the servants of particular bodies of men, whether with bonuses or without. I am glad to hear of any employer who gives bonus to labour, encourages his workmen to take shares in his concern, opens his books to them, admits them to a share in the management. I am glad when any co-operative body does the same by those whom it employs. But the good done by twenty such experiments is not, in my opinion, equivalent to that achieved by any single set of workers who can make for themselves a position as associated self-employers, and having made that position, can maintain it in no spirit of self-exclusiveness, but seek to impart its benefits to as large a number as possible of their fellow-workers. I think it likely that such men may find it to their advantage to draw their customers into closer relations with them by allowing them a share of profits. But it seems to me mere childish *doctrinaireism* to insist upon this as a shibboleth to be swallowed by them before you admit their claim to be called co-operators. If they have succeeded in their business, it must be substantially because they have given the consumer already the article, either better for a given price, or at a lower price altogether, than he could have found it elsewhere."

It will be seen that Mr. Ludlow contemplates in this powerful paper that production should be carried on mainly by independent unions of workers, such as those which started into prolific life at Paris in 1848, and exist in considerable numbers in that city, and some other parts of France at this day; as they have sprung up in Germany under the influences originated in the People's Banks; and have fought out their way, if not to great prosperity, yet, at least, to a healthy life, in various instances in England and Scotland.* Now to all

* See Note 8, Appendix.

plans for this separate action, Dr. Watts, the most eminent advocate for subordinating in co-operation production to distribution objects—

(1) That the system is partial, not universal for the good of each and of all;

(2) That it must drift back into competition in a more intense form.

I reproduce his objections with the statement given by him of his views, taken from a paper prepared to be read to the Committee of the House of Commons on Co-operation, and a reply to strictures which had been made upon his evidence before the Committee, both published in the *Co-operative News*.*

"Co-operation," says Dr. Watts, "is a scheme for obtaining honest commodities at wholesale prices, and eventually at the cost of production, reserving the difference between the cost and the retail price for quarterly dividends, which the members are encouraged to have accumulated at £5 per cent. interest, thus teaching provident habits, and preventing poverty and pauperism."

Then, after explaining the constitution of: (1) The Retail Store. (2) The Wholesale Store. (3) The Bank. He continues—

(4) The *Manufactory*. There are two theories at present in debate among co-operators as to the proper mode of extending manufactures:—

(*a*). To encourage each retail store or a federation of retail stores, to employ workmen for the production of such articles as their members can consume, and as can be profitably done in their various localities, handing over any surplus products to the Wholesale Society, as commission agents, for sale amongst the other stores, or for export; and leaving the Wholesale to engage in the production of such articles as need a large capital, and an extended market. Many retail stores do now employ workmen for manufacturing purposes, and this course is likely to be extended. In the cases of manufacture by the retail store, the profits go directly to increase the members' dividend on purchases. In manufactures by federated societies, the profits would first be divided amongst the stores themselves, according to the capital provided by each, and would then pass to the members in each store as dividend on purchases.

(*b*). The second plan is to furnish capital at interest to bodies of working men, who would work for themselves, and appropriate the profits. I prefer the first plan because it is of universal application, and would benefit all concerned; while the second would leave bodies of working men competing with each other for the market, with all the present features of competitive trade intensified.

* For 1879, pp. 504 and 505.

In his reply, Dr. Watts supplements and expands this statement as follows:

I have always understood that co-operation is the opposite of competition; that it means working together for each other, instead of working against each other, individually, or in masses more or less compact. The co-operative store is open to everybody, and being capable of expansion to universality, works together for everybody who chooses to be connected with it; and when productive co-operation runs upon the same lines as the store, there will be no misunderstanding and no dispute about it.

Some retail stores are producers; and such production, so long as it is sold to their own members, or handed over to the Wholesale for distribution, is truly and wholly co-operative, since its advantages are open to all. But, if a productive store sends out its travellers into the open market or even to other stores, so as to establish a practice which cannot be followed by other producing stores without falling into competition with each other, it loses its co-operative character, and is on the downward path which lands only in the old competitive rut.

The Wholesale Society is wholly and truly co-operative, because membership of a store is membership of the Wholesale, and it is, therefore, like the stores themselves, open to all, and it works for the benefit of all; and whatever branches of manufacture it may set up and conduct, will therefore be conducted for the equal benefit of all the stores, in proportion to their loyalty to the Wholesale, and of all the members of all the stores in proportion to their loyalty to the various stores. . . . . Even an ordinary joint-stock company composed of workpeople, and especially of the workpeople in the establishment, is a great improvement on working for an individual employer. And, a company giving a bonus to the workpeople is a further advance to the system of true co-operation. But all these are mere temporary expedients, which, if it be attempted to universalise must needs end in competition.

Let me take, for example, the highest type of such companies, 'The Hebden Bridge Fustian Society,' which divides profits with the workmen, and also with the customers. It admits individual shareholders as well as stores, and to its shareholders go the first fruits, beyond even the formal interest of capital. It passes by the Wholesale in its transactions, and even passes by the stores which hold shares in it, and sells to the general public. It therefore competes with the Wholesale amongst the affiliated stores; and it also competes with individual manufacturers in the open market. Now, suppose that Manchester and Oldham should each set up a Fustian Society on the lines of the Hebden Bridge, and suppose that the managers of the Wholesale should find out that Fustian manufacturing is one of the staples which it ought to take up, where shall we then be, and what will have become of our productive co-operation? *

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* Dr. Watts conveys in this passage a somewhat imperfect idea of the Hebden Bridge Society, which limits the amount of payment on capital on shares not withdrawable to £7 10s. per cent., and continually obtains by the canvass of societies orders which pass through the Wholesale.

I do not question the wish of Dr. Watts and his followers to deal with the profits of production so as to "be for all." But can this plan effect the end proposed? It seems to me certain that it cannot. The benefits of distributing profits on purchases increase precisely in the degree in which they are *not* wanted. Even in the case of food, where to the poorer classes they are at their maximum, the skilful mechanic who earns his ten shillings a day will derive far more advantage than is obtained by the labourer whose wages are only 3s. 6d. Yet he would be a long way behind the foreman or clerk who may receive his £200 to £250 a year; as they in turn will be utterly distanced by the classes who fall under the three first divisions of Mr. Dudley Baxter's tables quoted in the Appendix, Note 9; whose incomes are respectively over £5,000 a year; between £5,000 and £1,000, and between £1,000 and £300. This will be the case even with food, where the benefit to the poor man from returning him the profits on his own consumption is most felt, because by far the largest part of the poor man's income is necessarily spent in articles of food. But the case is far more striking when we come to manufactures. The notion of conferring a universal benefit on the working population by distributing among them the profits on their own consumption of new manufactured articles, is like a proposal to satisfy the thirst of a crowd by administering to them water in drops. The statistics of Mr. Dudley Baxter's tables, above noticed, as to the distribution of income in the United Kingdom, show clearly where the great mass of profits on manufacture, if they are distributed among the consumers in proportion to their consumption, would necessarily go—to those, whose over-large share of the material advantages produced by the industry of the present day forms one of the crying evils which co-operation proposes to remedy. This evil the scheme of co-operative production advocated by Dr. Watts must make hopelessly irremediable. For it would give to the rich consumers, not only the vast mass of the products of modern industry which now falls to their share, but also the

profits on production—that great instrument to which those who have studied co-operation as a system have hitherto looked, as the means of gradually raising the worker to the position which he ought to occupy. That this must be the case, so far as regards the home market, the statistics referred to prove on a large scale, and a little consideration of the circumstances of the mass of our population, and the objects to which their largest expenditure is unavoidably directed will show yet more conclusively, though in a way inaccessible to proof on the large scale of statistical returns.

Take away from the earnings of the great body of the population who live by the wages of manual labour, all that they spend in food, drink, tobacco, rent, and second-hand clothes, there will remain a very small sum per head for expenditure on new manufactures. I suppose £5 a year would be a large allowance for the average expenditure on such articles, of the classes whose income is under £100 a year. But put it at £10, present ordinary retail prices. At what sum may we estimate the "poor consumer's" gains by absorbing the manufacturer's profit? To measure them we must first deduct from the price the retail addition to the cost of manufacture put on by the middlemen, an addition known in numerous instances to equal half the price, of which co-operative distribution gives to the artizan, as it will give to the rich consumer, all that belongs to their respective consumption after paying the actual cost. Then we have to consider the reduction of profit on each article due to the fact that the manufacturers of the present day rely for their income on small profits made upon large sales with a rapid turn over, rather than upon getting large profits out of fewer and slower sales. Taking all this into account I think we may conclude that sixpence in the pound is a liberal average allowance to make to the consumer as the additional profit to be gained by him through adding the manufacturer's profits on his own consumption. In other words, Dr. Watts' scheme for raising the position of the working population by distri-

buting among them the profits of manufacture, would end in giving back on an average to each family a possible 5s., more probably 2s. 6d. a year.

Dr. Watts may object that this computation takes no account of the profit on exported manufactures which his scheme supposes to be divided between the stores in proportion to the capital that they severally contribute to their production, and through them to be distributed among the consumers. Now, even if this scheme could be carried out as Dr. Watts supposes, it would not alter the fact that the largest share of these profits must go to the richer classes, because they were the largest buyers. But there is a hitch in the plan.

So long as the distribution of profits on manufactures is confined to giving to every one the profits on his own consumption, it is all of one piece. Each store takes a share of profits according to what it buys on account of its members, and divides these profits among them according to what they buy.

But the proposal to divide profits among the stores according to the capital contributed by them introduces a principle which must unavoidably plunge us into the old "competitive rut," whence I am as anxious as Dr. Watts can be that co-operators should emerge. To divide profits on capital is the rule of competitive production. If it is introduced as the true rule for apportioning among the societies the profits on manufactures for foreign exportation, how can we escape the logical conclusion, that it must also be the true rule for apportioning the profits of this trade among the members of those societies to whom the capital individually belongs. Now they would certainly be the wealthier members; those who had most to spare, and were willing to run the risk of possible loss by these operations in the hope of large gains from the venture. The mass of the poorer investors who looked on the store mainly as a savings' bank, and had no prospect of deriving any large advantage from such investments, would assuredly decline to incur any risk through them. Experience has shown

this. So that, if it were possible, for a system of manufacture carried on upon what Dr. Watts pronounces to be the "only thoroughly co-operative plan," to become general, the result must be, to give to the richer classes by far the largest part of the profits of our home trade in respect of their purchases, and all the profits of our foreign trade in respect of their capital. The difference from the existing mode of distribution would be, that the chance of any poor man rising into independence by his enterprise as a manufacturer would be destroyed, by the closely organized system of production which would replace the present system of free competition.

But would not this organization be in itself a benefit so great as to constitute an object worthy of all the zeal and energy that co-operators can supply to bring it about. Dr. Watts apparently so thinks, but I cannot agree with him. An organization of industry which should simply substitute collective bodies of consumers in place of individuals, firms, or companies, as the active agents in production, which they carried on without giving the worker any special interest in the profits on his work, or applying them in any way directly to improve his position, therefore, without doing anything to remove that antagonism between labourer and capitalist which forms the chronic disease of modern industry, would in my judgment do harm rather than good. For it would hinder the growth of a better organization, whereby without giving up the economical advantages of co-operation on which Dr Watts justly lays stress, it may be possible to attain the moral and social advantages of which he says nothing.

The scheme advocated by him, is, in fact, only an accident of the form taken by co-operative activity in Great Britain expanded into a general principle.

The distributive societies, as they prospered and accumulated capital, naturally set themselves to consider how they could use this capital so as to obtain the things they wanted on the best terms. They formed wholesale centres to do the business of buying for them to the greatest advantage. They

formed mills in order to grind corn for their own consumption.* And within their societies they have employed workmen to make shoes or other articles of clothing from the materials furnished to them. They could scarcely be expected to place the workmen whom they employed in these domestic manufactures, on a different footing from those whom they employed in the work of distribution. While in the peculiar case of the corn mills, the fact that the labour employed in the current operations is insignificant if compared with that represented by the capital expended in the construction of the mill, or in the corn purchased, threw the question concerning "men" into the background, and gave to the question concerning "things" a predominance of which it is quite undeserving. Hence, co-operative union, instead of being regarded in its true light, as a scheme for making men better, and therefore both happier in themselves and better off, by learning to work together and study each the interests of others, instead of every one struggling to snatch at some special advantage for himself, came to be regarded, to use Dr. Watts' language, simply as "a scheme for obtaining honest commodities at wholesale prices, and eventually at the cost of production." The notion of so carrying on work that the worker may get the full benefit of his labour after providing for the cost of capital, was replaced by that of so carrying it on that the consumers, whether producers or not, should get the greatest possible advantage out of it.

This conception has the advantage of being more immediately what is called "practical." Since it asked of the consumers no greater consideration for other men's welfare than

* See Appendix, Note 4. In some instances, as at Hull, Leeds, and Sheerness these preceded the formation of societies for general distribution. Corn mills being directly concerned in supplying an article which enters largely into the food of the population, stand also in a peculiar position in regard to the application of profits to reduce the price of the articles, by which, all, including those who do the work, immediately benefit to a considerable extent. They are more properly classed under the head of distribution than that of production; and the grinding corn, &c., belongs to the art of cooking, rather than to manufacture.

they had grown accustomed to in the store, namely, that of not trying to make a profit out of other purchasers, but giving to every one a benefit proportioned to his consumption—they had nothing to consider but whether any proposed manufacture was likely to pay, and easily satisfied themselves with the belief that they fulfilled the co-operative programme "To make the workers their own employers" when they paid them ordinary wages and allowed them the privilege of buying their own work, through any society to which they might belong, on as good terms as any other consumer.

Now if co-operative production is to be restricted to the small body of workers to whom the working population could give employment in supplying their own consumption of various manufactured articles, it might be reasonably urged that the working consumer cannot be expected to do more for the working producer than to put him upon the same level with himself, by allowing him to obtain his own work, if he desires it, at the same reduction of price which the profit realised upon it is sufficient to allow to any other customer. But when the scheme is put forward as a general rule for regulating a system of co-operative industry, by which the present gigantic operations of competitive industry are to be replaced, we come face to face with the objection noticed above, which Dr. Watts makes no attempt to meet, that the great bulk of the profits thus dealt with must go, not to the working producers in any shape, but to the wealthy consumers, without whose custom the workers would be unable to dispose of the articles on which these profits were realized. The argument used by Dr. Watts, that there is no course open between this sacrifice of the producer to the consumer, and the plan of encouraging the formation of disconnected productive societies, with the probable result of their increasing the intensity of competition by competing with each other for business, assumes an alternative which I cannot accept as necessary. No doubt, at the present day, these are the only shapes under which co-operative production exists. It does not follow that they are the only shapes which it can

adopt. That in a free country men cannot be hindered from combining to carry on production on their own account, and obtain whatever advantages they can thus gain, I allow. But the consumers who, by the savings on their own consumption, can supply the capital required by the producer, and furnish by their own purchases a market for the goods produced, if they are willing to deal equitably with the workers, will, I think, be able to substitute concert for competition, to the mutual benefit of the producers and themselves. The advantages which they could offer to associated over isolated producers will operate somewhat as the attraction of gravitation, which, without preventing the freedom of our movements on the earth, keeps us close to it. Productive societies might be formed by means of capital provided by the consumers, in order to secure for themselves articles on which they could rely at reasonable prices through a central association, by which all the guarantees against an injurious competition desired by Dr. Watts might be attained without any of the disastrous consequences that must follow his method of attaining them.

At present the Wholesale withdraws all the profits of its Leicester Shoe Works from the workers in order to distribute them among the societies which buy the shoes in infinitesimal dividends, for which nobody thanks it.* Suppose that, instead, it employed the surplus, after paying the ordinary charge for capital and making such provision as might be thought expedient for reserve, for the benefit of the workers; either simply by converting them into shareholders; or with the addition of any plans for social good, such as those considered in the next chapter; turning its factory into a living witness of what co-operation might do for the working population. What would there be in this action tending to competition more than in the present arrangements? No doubt the works would be converted from an ordinary workshop into workshops occupied by men who had a direct interest in the

* How small these dividends really are is shown in the next chapter.

prosperity of the establishment, and were thus stimulated to do their best to increase by good and quick work the sales on which their own share of benefit depended. But the conditions under which this work was carried on might be such as would keep it always united with the Wholesale, even if those who carried it on constituted, as they should do, a separate society itself a member of the Wholesale. These conditions might be embodied in the rules of such a society, to any alteration of which the Wholesale might be made a necessary party, through its representatives, while they gave it such a voice in the management as would secure the performance of the stipulated conditions. Disputes as to prices might be settled by arbitration, which might be applied also to disputes as to wages. It would be as open to the Wholesale as it is now to provide for any extension of the business, either by enlargement of the existing works or by forming new societies under similar conditions, or new branches of the same society in any other locality, if this appeared to be commercially preferable. And what they did for the shoe works, why should they not do equally well for any other manufacture on which they might think it desirable to enter.

That there would be difficulties in the way of such plan, I do not deny; but they would not be difficulties of the kind contemplated by Dr. Watts, not difficulties arising from any tendency in the system to slip into "the rut of competition." On the contrary, to all such tendencies the system would practically oppose the most effectual bar, by inducing all bodies of workers who might be disposed to start any productive enterprise to come to the Wholesale for support, and accepting its control, to enlist under its banner in the great co-operative union. For this union would then give them all that they could hope to get from the most successful independent attempt, with a probability of success increasing with every addition to the number of productive undertakings brought into association, from the support that every member would be able to give in various ways to the others. At present all workers who

value their own independence and aspire to work out a higher position for themselves, must necessarily separate from the Wholesale system, which affords no satisfaction to such aspirations. But if the system were modified, so that while securing to the purchaser all that he has a right to ask—good work at reasonable prices—it secured to those who did this work the full measure of advantage which it was capable of yielding to them, I am persuaded that the workers would generally be ready to accept the degree of control which the preservation of union necessitated, in return for the many benefits that co-operative union afforded them. They would be transformed from their present attitude of indifference, almost of hostility, to the Wholesale into one of hearty adhesion to it.

Then might we reasonably hope to see co-operative production spread from one branch of industry to another, till it gradually embraced the whole circle of our industrial activities. The bodies of workers who now constitute the strength of our Trades' Unions would begin generally to see and believe as a practical reality, what at present only a few among them dream of as a remote possibility—that union for self-employment is capable of giving the workers all, and far more than all, that their most sanguine hopes have looked for from union to impose conditions on their employers. They would bring in their energy, their resources, their organised funds, their long established influence, and the trained skill of the workers who form them, to swell the stream of co-operative production, and gain for the co-operative workshops, the just reputation of turning out the best and yet the cheapest work, because it would be the work into which the worker had thrown his whole might, from the consciousness that all that he did for others had a direct reflex action on his own welfare. While, on the other hand, the combined action of these many centres of industrial activity, working together and not against each other, would make it possible to give such security to the capital invested in their united operations, by the formation of reserves, and the principle of mutual assurance, that capital would

flow in upon the union from the great body of the public who seek for investments at once safe and profitable, as it has flowed in to the People's Banks in Germany from a similar cause. And so the problem of the relation between capitalist and worker would be solved in the only way in which, I think, it can be satisfactorily solved, namely, by reversing the present relation. Instead of the capitalist employing the worker, while he takes upon himself the risk of the work, the workers taking upon themselves the chances of loss which they may reduce to an average by the principles of insurance, would find employment for capital, and, by giving it safety, obtain it on the most favourable terms.*

I have said that there are difficulties in the way of such a plan of productive union; but they are difficulties due, not to the plan, but to the way in which the problem of co-operative production has been presented on the scheme expounded by Dr. Watts. In effect, that plan assumes and says to the working population, "You have two modes of carrying on production. 1. It may be carried on by a number of isolated societies insufficiently provided with capital, or obtaining it under conditions little favourable to the worker, yielding each other no definite mutual support, and not connected by any common bond, which shall prevent them if they succeed from competing with each other. 2. Or it may be carried on by productive establishments, closely united with each other by means of a common centre of distribution, commanding in consequence of this union an abundant supply of capital at the ordinary rate of charge, in which all the profit will be applied, not to enrich a few manufacturers, but for the benefit of all concerned. If you choose the first alternative you can judge for yourselves what chance there is of productive co-operation ever becoming universal. If you choose the second, you will each severally receive benefit in proportion to your consumption, and ultimately the working classes will become the great manufacturers and traders of the country." It cannot

* See Appendix, Note 10, "On Work and the Workman."

be surprising that such representations should influence those who believe in them to choose the second alternative. But let co-operators generally be brought to see what, I think, calm enquiry must show them—that the supposed alternative, and the results attributed to the adoption of the second course, are both delusions—that it is quite practicable to carry on production in close connection with a distributive centre, under conditions which will prevent any competitive conflict among the producers, without withdrawing from the workers any of the advantages derivable from their work—that by thus carrying on production it will be possible for the body of the population to appropriate for the general advantage, the profits now absorbed by private manufacturers or traders—but that on the scheme of federation advocated by Dr. Watts, these profits must be mainly handed over to the wealthy consumers; while the reward of the workers will be only the insignificant share of any profits belonging to their own consumption. Let this be made clear to them; and I think that no body of working men, federated or not federated, will be so foolishly selfish, as for the sake of a possible present annual gain of a few shillings, if this gain ever got to shillings, to throw away the prospects of future good which co-operative production, conducted on the plan of securing the profits on work to those who do it, may bring to their children if not to themselves, and to the whole mass of the working population.

That the working consumers who may set on foot this system of production would be entitled to a special benefit from it, I allow. But this benefit might be secured to them without sacrificing the hope of permanently raising the condition of the workers. Without going into details which, under the present circumstances, must be purely speculative, no difficulty, I conceive, would be found in giving a preferential choice of employment in any manufacturing enterprise set on foot by the Wholesale Centre, to workmen of good character, recommended by the societies belonging to this Wholesale; the aid of the lot being invoked, if needed, to prevent com-

plaints of partiality. As co-operative production extended, the workers thus recommended would come to include all co-operative workers whose claim to employment depended on the capital supplied by the societies constituting the central union, and not on that contributed by the workers themselves. All might have an equal chance of employment as soon as there was a possibility of employing them. *

These observations on co-operative production may be charged with being too theoretical for the title of this chapter. But in the present position of this branch of co-operation the most practical considerations are those relating to the mode on which its practice can be best conducted. Now on this question I agree with the federalist. Since the indispensable condition of giving to the worker the full benefit derivable from his work is, that he shall obtain capital on the most favourable terms, and to obtain capital on these terms it must get a security, which the workers can give it only by means of their association as consumers—the close connection of co-operative production with co-operative distribution is, in my judgment, an essential element to its success on any considerable scale. For thus will it become possible for the worker to obtain capital on terms which will not so swallow up the profits as to destroy the margin left for the benefit of work.

Further the federal system possesses more fully than any other form of constitution known to me the power of uniting freedom in the members with authority in the centre. It is therefore peculiarly adapted for combining the united action indispensable to commercial success, with the individual liberty which the productive societies should secure.

But while, for these reasons, I would urge upon all co-operators who desire to see productive co-operation take its fitting position, the great importance of giving to the production connected with the great centres of distribution that direction in the employment of profits which will make their action a permanent benefit to the workers, the heroic

* See Appendix, Note 11, for a modification of this scheme.

band who, in the absence of such a system, throw themselves into the breach, and in the hope of promoting the common good, take the chances of the hard fight involved in the independent formation of a productive co-operative society, have a right to the best advice that the writers of this manual can give to aid them in their noble efforts. Now, so far as concerns the steps to be taken to form any society for this purpose, it is unnecessary to repeat the remarks already made in regard to distributive societies, since they apply equally to the formation of productive societies, with exception of the schemes for obtaining public support. If the idea of production were taken up by any influential members of a Trades' Union, there might be some use in an appeal to its members generally, by public meetings, to raise the required funds. But, except in such cases, or the rare instances where public sympathy may be awakened in favour of any particular body of workers, subscriptions will, I take it, generally be got only from those who hope to obtain employment through the society. The attractions which fill the lists of ordinary joint-stock companies, the hope of large dividends on the invested capital, or the speculative anticipation of premiums on the sale of shares, which has helped to float company after company, often to the disaster of those who find themselves left to man the vessel when it is floated, must necessarily be in-operative in cases where the anticipated profit is to be employed for the benefit of the workers.

To those workers therefore, or to any persons who, from the desire to help the working classes to help themselves, may be satisfied to receive moderate dividends on their capital if the business succeeds, and willing to run the chances of loss if it does not, to one or the other of these classes alone, can appeals for support be made with much hope of success in the beginning of the society. And as, with exception of the last class, few will be disposed to subscribe any considerable amount of capital to an isolated enterprise, which cannot offer security to the capital subscribed, it is desirable in

all such enterprises to give to capital, in the shape of profit, some compensation for the possibility of loss. How is this share to be determined? I know no better method than one founded upon the principles laid down and adopted in practice by M. Godin, in the foundry at Guise, created by him, and now legally transformed into an Association of Capital and Labour. M. Godin gives to capital first out of the gross profits, after carrying to reserve what may be considered necessary for the general security of the business, what he calls its wages, that is, the interest which capital employed in manufacturing operations is expected to receive according to the rate prevalent in the locality where the business is established. Then he assigns to it a share in the profits remaining to be divided, rateably with work of every description, whether manual or intellectual, employed in the business, according to their respective wages. I take the balance sheet of the Association for the year ending 30th June, 1880, the first after its legal constitution, omitting shillings and pence.†

	£	£
Capital		184,000
Sales during year, gross	193,066	
Less Trade allowances	52,035	
		141,031
Profits at Familistére	2,370	
„ by work at Guise	24,367	
„ „ Laecken ...	5,371	
		32,108
Wages and salaries of all descriptions		
In Familistére 2,580		
In Works at Guise ... 53,594		
„ „ Laecken ... 4,959		
Extra services 5,520		
	66,653	
Wages on Capital (£5 per cent) ...	9,200	
Total Claims to Share in Profits ...		75,832

* See *Le Devoir* for Feb. 6, 1881. The same idea has been independently proposed by Mr. Peter Papin in a pamphlet called "Harmonious Co-operation between Capital, Intelligence, and Labour in Productive Industries," published 160, Franklin Street, near Washington, Chicago, U.S.

Application of Profits ...			£32,108
To Reserve		£5,727	
,, Share of Work (15.1 per cent. on £66,653) ...		10,065	
,, Administration		2,749	
,, Administrative Council ...		2,062	
,, Superintending Council ...		458	
For Reward of Exceptional Services		458	
To Capital—Wages	£9,200		
,, Share of Profit on ditto (15.1 per cent.)	1,389	10,589	
			£32,108

This rule has the advantage of interesting alike the capitalist and all who are in any way concerned in the work in the prosperity of the business. While it applies equally to all cases, whatever the proportions of labour to capital may be; and does not, as all plans for capitalizing wages do, bring out a different scale of division according to the length of the period to which the division relates.*

It should be observed, that in this case, though £29,730 of the profits of the business was applied for the benefit of the producers, £52,035 had been previously allowed to the purchasers; who, no doubt, were actually various intermediaries between the manufacturer and the consumer, but in a co-operative system of distribution would be the associated consumers, to whom the present customs of trade would thus have given more than six-tenths (63.62 per cent.) of the gross proceeds; leaving them little ground of complaint, if they were asked to leave to those who produced all the profits, the remaining 36.38 per cent. of their earnings.

To pass from this rule of division, which may be varied in-

* Suppose £50,000 capital, and £30,000 wages paid in the course of a year,—work would share—if the division is annual, in the proportion of £30,000 to £80 000 or of 3 to 8; if the division is half yearly, in the proportion of £15,000 to £65,000, or of 3 to 15; if it is quarterly, in the proportion of £7,500 to £57,500, or of 3 to 25.

definitely according to the rate of wages assigned to capital,* I would observe, that the profits, whether on the wages of capital or of work should be capitalized, so long as they can be advantageously employed in the business, at least until some minimum limit of capital required to be held by each member is attained. Private firms have commonly an advantage over companies in the growth of their capital out of its own profits, which the desire of its owners to roll up large fortunes induces them to accumulate. But as this desire cannot be expected to have any powerful effect on a large body of persons, each individually entitled to a small part of the profits only, it is necessary to guard by the rules of the institution against the danger of dissipating profits in dividends; which would affect co-operative societies more injuriously even than it affects joint-stock companies, from the greater difficulty in obtaining capital likely to be experienced by them, than by institutions where all gains are appropriated by the capitalist. Still more necessary would the application of this rule be if any attempt is made to obtain custom by admitting purchasers to participate in profits in respect of their purchases. For since the whole charge, for materials, wages, and capital, has to be paid out of the sales, the claim of the consumer, if it is based on comparative totals, will be apt to swallow up so large a portion of the whole amount divisible, that when paid away to persons who will be generally little concerned in the prosperity of the business, the result must be more injurious even than such payments made on capital or work. But notwithstanding the high authority which has supported, as a truly co-operative plan, the notion of sharing with the consumer the profits on production, my advice to those who may unite to carry on productive co-operation on their own account at the present day is, to confine the participation in profits to the two factors that contribute to produce them—the accumulated past work called

* If the rate of profit given by this method of division is not considered sufficient in any case, a larger share of profit might have to be given. But it is difficult to lay down any rule by which to measure this share fairly. As a matter of compromise, I may suggest an equal division between capital and work of the surplus over 5 per cent.

capital, and the present work, intellectual or manual, which is sustained by this capital and makes it productive—and to confine their consideration for the consumer to giving him good work at reasonable prices according to the scale of prices prevalent in the particular manufacture.

So long, indeed, as there was ground for hoping that some scheme for dividing profits between capital, labour, and custom, such as one which should assign a third to each, would meet with general acceptance among the body of co-operators and serve to knit them to each other, the admission of the consumers to participate in profits could be fittingly recommended for adoption by any body of workers, as an evidence of their desire to act in this spirit of union. But since experience has negatived these hopes of comprehensive conciliation; since no symptom appears of that readiness on the part of the co-operative consumer "to sleep all night at the door of a co-operative manufactory that divided its profits with its customers," in order to be admitted among the number in the morning, with which Mr. Holyoake's imagination endowed his anticipated purchasers; but on the contrary, they push "the logic of co-operation" to the point where it gives them all, it has become clear that this "logic" will only lead the worker into a bog, where all his hopes of benefit from co-operation must be swallowed up.

Those who have persuaded themselves that consumption is one of the factors in production entitled to a place alongside of labour and capital as a third element will, of course, protest against this exclusion of the consumer as unjust to him. But if we revert to first principles we shall see that this claim has no solid foundation. It rests in truth on the mystification occasioned by the general use of money as a medium of exchange. If we restore in imagination the barter which lies at the bottom of commerce, and remember that all sales are essentially exchanges of one product for another product, it becomes ridiculous to argue that the man who has got the product which he desires, in exchange for the product which

he has parted with, can have any claim on the man with whom he has made the exchange, to share in the advantage that may result to him from the transaction. If A has agreed with B to give him, say, 20 pairs of shoes in exchange for 100 pairs of stockings, there the matter ends. Neither A nor B can have any claim on the other in consequence of the way in which that other may dispose of the articles taken in exchange. A may give 39 pairs of stockings to C, from whom he had got the leather, and 40 more to D and E who made it up under agreements which he may have entered into with them, keeping 21 for himself. But this cannot give B a right to say "Friend A, thou hast advantaged thyself to the extent of twenty-one pairs of stockings. Give me seven pairs back as my share of this advantage." A would have the right to reply, "Friend B, what thou sayest as to the advantage is true, but as to giving thee back the stockings I cannot do it unless thou givest me back a like quantity of shoes."

Obviously, then, the claim asserted for the consumer to share in the profits of production must rest, not on any natural right, but simply on the wish to reconcile the conflicting interests existing between the buyer and seller on the one hand, and the capitalist and worker on the other hand. For this purpose it is much to be desired that the producers should mutually agree to share the advantages obtained by any of them from any improvement in the production of the articles respectively produced, which, in the case of such a mutual understanding, each would make known to the other.

The principle laid down as a basis of the Co-operative Union, that one of its objects is "to unite the conflicting interests of the capitalist, the worker, and the consumer by the equitable division among them of the fund called profit," has, I conceive, such an agreement in view. But in order to make this equitable division the principle must be applied to the entire fund, not to a small part of it only. This "fund called profit" includes, in competitive trade, the *whole* difference between the sum paid by the purchaser and the cost (1st) of

making what he buys, (2nd) of delivering it to him. This difference constitutes the profit of the manufacturer and the distributor, including under that name all the middlemen, merchant, shipper, carrier, wholesale dealer, retailer, who come between the producer and the purchaser. Of this fund, at the present day, the producer has by far the smallest share; four-fifths of it at least, if not a still larger proportion, are divided among the different classes of middlemen. This large share the consumers have discovered the means of appropriating to themselves, in some cases entirely, in others to a very large extent, by association. How then can they claim any equitable right to participate with the producers in the small remainder while they retain that larger share to themselves? He who asks for equity must do equity. Let the consumer concede to the worker the right to participate *as a worker* in the profits which the consumer gains on the distribution of the work produced, and he will have the right to call on the worker to admit him to participate as a consumer in the profits which the worker gets by producing that work. If he will not allow the worker to share as worker in the profits of distribution, he loses all right to ask that the worker should allow him to participate as a distributor in the profits of production.

It has been alleged in support of the proposal to assign the profits of production to the consumer, that to give them to the producer will tend to perpetuate the system of caste, which it should be the object of the social reformer, as it has been of late years that of the legislative reformer, to destroy. The argument goes further than the present question, extending to that total withdrawal from the producer of the profit on his work proposed by the federal system discussed above. Still, were it tenable, it must tell against the claim to those profits asserted here for the worker. But in truth the tendency to caste is fostered, not lessened, by the withdrawal from the worker of the profit, which is the natural means of counteracting this tendency whenever it is not thwarted by

arbitrary regulations. The man who has to live on fixed wages has no motive of interest for cheapening or improving his work. He stands, therefore, over against the rest of the community in that stiff, unsympathizing attitude belonging to a caste. But the man who feels that, by increasing the sale of his work through its greater cheapness or better quality, he might improve his condition from the increased profits which this larger sale may bring him, has a motive in his own interest to do that which benefits the public at large, with whom, therefore, he is brought into relations antagonistic to the feeling of caste.

Without in any way departing from the position already taken up, that a thorough alliance of the worker with the consumer, by which the latter shall be assured of the goodness of the articles produced, and the fairness of the prices charged is of very great importance, while urging upon the worker to do in order to produce this alliance, whatever he can do without injuring himself, I must then caution him against admitting any claim on the part of the consumer, who does nothing to aid the producer but exchange one product for another—money for money's worth—to share in the profit which may arise to the producer through this exchange.

If the co-operative consumers leave the worker as they have left him to fight his own battle in the field of competition, it is necessary that the worker should claim the right to fight it on equal terms with his competitors, by retaining that weapon of profit on manufacture which forms the ever-growing strength of successful manufacturing enterprise.

On this basis, therefore, I advise all co-operative productive societies, independently formed hereafter, to take their stand; opening their arms freely to the consumer who will join their ranks; and giving to all, whether they accept this invitation or not, every guarantee in their power of the goodness of their work, and the fairness of their prices; but absolutely ignoring the claim of any one to share in profits which he does

nothing to produce beyond paying an equivalent for what he receives.

I copy, in conclusion, from an excellent tract published by the Central Board on "Co-operative Production, and the Duty of the Distributive Stores in relation thereto," the following sensible remarks on the commercial *means of success* :—

"First of all we should produce what is required. Some societies have entirely failed, through placing on the market articles which *they* wanted to produce, but which the *Stores* had no sale for. This often makes store managers disgusted with co-operative productions, and the producing society has to go into the general market with only a limited capital, which soon becomes smaller by degrees, and ultimate failure ensues.

"Producing societies should, in the first place, look round for a general co-operative want, and then if good articles are produced at as cheap a rate as they can be produced by private firms, the trade would in all probability be ensured, because there are innumerable articles which the stores distribute, that would give ample scope for yet very many productive undertakings."

The writer obviously believes, and I believe with him, that the working consumers require no other motive than the desire to do full justice to work, in order to support societies where the worker is able to apply for the benefit of present work, the profit hitherto appropriated by past work rolled up into capital. The apparent selfishness manifested in this matter by distributive societies has been due, I believe, mainly to the theories, well intended, but quite deceptive in everything except the value of federal action, by which they have been misled.

The time will come, I am persuaded, when the scales will fall from their eyes, and federal action will be directed to convert the accumulated savings of co-operative consumption into the fruitful source of innumerable benefits to the working producer.

In the meantime we may, I trust, say truly, that for those workers whose self-reliant energy may create institutions where labour and capital stand in equitable relations, a field is opening among the distributive societies which will not be so difficult to cultivate, as hitherto it often has proved.

But the working producer who would cultivate this field successfully must not forget the indispensable condition of his success that his produce shall stand comparison both in quality and in price with those of his competitive rivals. His claim upon the co-operative consumer must be limited to a fair trial. He cannot expect continued support if his products when tried are dearer than similar articles of equally good quality produced by other makers. I fear that this essential condition has not always been sufficiently borne in mind; that the worker has sometimes transferred to his own workshop the feelings which he has been accustomed to cherish towards his employer, and has looked upon it as a quarry from which it was his business to extract as large an amount of wages as he could. But the businesses which at the present day could bear this treatment are, I believe, few and exceptional.

The economical benefits to the worker of becoming his own employer will not commonly be found in the positive addition which he will thereby be able to make to his present wages. It will consist more in the power he may thus attain of regulating the conditions of his own life; in the possibility of thus making his wages as fruitful of advantages to him, as they may be; in the manly qualities of prudence, foresight and self-government, which union, for the purpose of mutual aid in self-employment, will cultivate in the individual, while they place him in a medium suited to call forth and facilitate their growth and exercise. The worker will find himself brought face to face with the unavoidable laws of supply and demand in their application to the questions of food and population. He will deal with them in a state of mind produced by a life

where, through the results of association, the standard of comfort is generally higher than it is at present. Is it unreasonable to expect that, under such circumstances, the workers will commonly learn to act in a way in which, were they commonly to act now, their condition would assume an aspect very different from what it now offers? While the same principle of association which works these effects, will give to them a far greater command than they actually possess over the resources applicable to increase the means of subsistence in proportion to the numbers to be fed.

The workers who would not sacrifice a great future to an insignificant present must look for the improvement of their condition through self-employment, not to the immediate increase of their separate incomes, but to the gradual accumulation and wise application of the collective capital rolled up from their accumulated profits. While for the success of their businesses whence these profits are to be derived, they must rely on the good value which they give to those who deal with them. But here is open to them a road, which any body of workers bold enough to follow it would, I am convinced, find to lead directly to the desired end. That road is perfect honesty—honesty which admits of no concealment in respect to the *quality* of that which is produced. I lay emphasis on *quality*, because the rule does not apply in the same way to profit. I could wish, indeed, that we had reached the goal to which co-operative production may some day bring us, when the rate of profit on different articles shall be substantially uniform—an agreed charge—varying only with the differences in cost due to the rapidity of the sales, and it will thus become possible to disclose it without fear of the consequences. But at present this would be impracticable. The prices of co-operative work must for a long time be regulated by the competitive market,—where the small profit on one class of goods is habitually made up by a much larger rate of profit on other classes. The producer, who should fix the rate of profit in both cases on a uniform scale, would be

rewarded by finding that the purchasers took the articles where the price was reduced, and left those where it was raised. The co-operative producer who would not be ruined must therefore conform to the ordinary rules as to prices; in which he does no injustice to the purchaser, who can judge for himself whether the thing he buys is worth the price asked for it, if he can be sure that this thing *is* what it professes to be.

Now here it is that the mischiefs of our actual competition specially show themselves, and make a great opening for the co-operative producer, who will seriously apply himself to remedy them.

It has been sometimes maintained that co-operative societies should sell no articles but those of the first class. Since, probably, the largest part of the articles produced at the present time would not come under this description, to insist upon such a rule would be practically to shut out co-operative producers from making the articles which they would have the best chance of selling. I do not ask of them any sacrifice of this sort. What I would urge on them is, *always to let the purchaser know exactly what he is purchasing.* For instance, textile goods are continually thickened with size of various ingredients. Let the exact nature and quantity per yard of this size, and of each ingredient used, be stated on a ticket attached to each article. Again, substances of different sorts, silk and cotton, cotton and wool, &c., &c., are continually intermixed. Let the precise quantities of each, and if the substances used are of different grades of quality, the differences of quality be declared. So in other cases, which it would be endless for me to attempt to specify, the principle being always the same, that the purchaser shall be informed by the producer of every fact material for him to know, in order that he may judge whether the thing purchased is worth the price given for it.

That such a system of honest trade would be a great success, if the goods thus described were brought before the true

purchasers, those who buy to use and not to sell again, so soon as they were convinced that the statements were trustworthy, I am satisfied; and if the statements were strictly accurate, and therefore capable of being verified by independent examination, it ought not to require a long time to convince the public of this fact. Middlemen would doubtless laugh at the plan, considering themselves duly qualified to determine the value of any article they desired to buy without information as to its structure from the maker. Yet even these professional buyers might probably not be unwilling to be saved the trouble of careful examination, if they found that whatever it could tell them they could learn, without this trouble, from the statement of the producer. While the co-operative distributive societies which, if they buy to sell again, buy to sell to their own members, would supply a class of buyers disposed to value the system, who could be relied on to bring before their members any statements supplied by the producers in the form furnished by them, and would thus stand to the co-operative producer in the position of natural allies without being subjected to any unreasonable demand for their support.*

* Some caution would be required in working such a system as is here suggested, against fraudulent attempts to extort money, made by purchasers on alleged discoveries after goods had been taken away that they did not correspond with the statements made. The danger is easily guarded against by proper notices when it is foreseen. I mention it here only that I may not be supposed to have overlooked it.

Chapter 3.

THE PRACTICE OF CO-OPERATION IN SOCIAL LIFE.

Co-operation regarded as a systematic course of action by which the mass of the population may gradually raise themselves out of the evils attending a society, where the great majority are engaged in a ceaseless struggle to promote their own interests without regard to those of other men, to the good attainable by a society where the great majority are united by reasonable agreement to carry on work and promote institutions for the common interest, naturally falls into two great divisions:

1. The formation of a collective income—of united resources, by which the weakness of the individuals who form the mass may derive strength from association:

2. The employment of this collective strength to create new conditions of life, adapted to foster the exercise of mutual help, and divert the spirit of competitive struggle into directions where it may become useful instead of injurious.

The first of these functions has been fulfilled in England by the distributive system of retail and wholesale societies, which, if carried on upon the Rochdale plan, create collective income for their members; while they serve as excellent savings' banks, where the economies produced by the suppression of unnecessary middlemen, may be accumulated. In Germany this function has been discharged hitherto mainly by the People's Banks, of which more will be said in a subsequent chapter. But, in either case, if co-operative union should stop at this stage, it would have very imperfectly accomplished the task

here assigned to it. Distributive Societies and People's Banks may apply part of the profits of their business for the formation of libraries or reading rooms for educational purposes, or the construction of halls where social as well as business gatherings may be held; but these operations leave the ordinary lives of their members almost untouched. So they may facilitate for a few of their members the obtaining houses of their own, by acting as building societies for the outlay of the savings which they have helped them to accumulate. But those who occupy these houses, except they are themselves employed by any society, must look for the means of living in them elsewhere than to the society. And, as the societies must regulate their own situation by the places where their members find the means of supporting themselves, they can, at the best, do very little towards bringing within their reach conditions of life, better suited than the life of our towns and cities is, to form men into beings worthy of their vocation as children of God,—as the highest manifestation on earth of spiritual life. Hence arises the importance of co-operative production. It is the indispensable intermediary between co-operation as an agent for giving to the mass of the population the power arising from their collective income and accumulated savings, and co-operation as an instrument through which this income and these savings may place within the reach of their possessors the largest amount of material advantages attainable by the use of their accumulated resources, combined with the conditions most favourable to the development of their moral and intellectual natures.

The last chapter has shown how, by co-operative union, production may be carried on for the benefit alike of the consumer, to whom it would secure good articles at reasonable prices, and of the workers, to whom it would give the full profits on their work at a minimum charge for the capital needed in it. The secret of this double benefit is, that the productive work shall be carried on in connection with a distributive centre, which, by securing custom, may assure the

capitalist against loss and thus obtain capital on the most favourable terms, while, as the agent for supplying this capital, it may guarantee to the consumer the goodness and reasonable prices of the things produced. Now by means of this same central connection, the productive society can be converted into the source of innumerable social benefits.

Modern industry, from the vast scale on which it is carried on in its manufacturing centres, and the great facility of conveyance produced by the extension of railroads, has become, to a great extent, independent of places. With the exception of mines and quarries, which must necessarily be worked in the localities where the substances to be extracted from the earth are found, it may be said generally of any manufacture for which there is a good sale, that the site of the manufactories may, in the present day, be almost wherever those who carry them on please, and the ground required can be obtained. Now, since this good sale is precisely that which co-operative union would have peculiar facility for securing to co-operative manufactures, those who carried them on, might, without injury to their economical production of the articles manufactured, be guided in the choice of the sites for their buildings by reference to the general well being of the inhabitants. They might place these centres of work in pleasant situations. They might certainly surround them with gardens, in which the workers, or as many of them as were so disposed, might find an agreeable and profitable variety in their labours. And by taking advantage of favourable opportunities they might through the acquisition of larger estates, combine agriculture with manufactures. So that they would begin to exercise, on an extended scale, that collective ownership of land, that close connection of the population with the source of their food, which, as has been already pointed out, would be the great security to the whole body of workers, that, if the progress of invention enabled one man to do what it required two to do before, this saving of labour shall work to the benefit of all without detriment to any.

But these conditions of permanent economical prosperity are also the conditions for securing social benefits. The establishments whose formation have been traced, would be co-operative self-supporting home colonies. The dwellings forming them might be so arranged as to insure to the inhabitants the greatest possible amount of convenience within their means, according to their ideas of what was to be desired. What these arrangements should be is a matter which may be very variously settled under differing circumstances by those immediately concerned, and must be left for them to determine. The benevolence of Sir Titus Salt has given us a striking illustration of what might be done to improve the conditions of life of the working population, by the formation of co-operative villages round the centres of their work. But the great prophets of social reform in modern days, Robert Owen and Charles Fourier, more especially the latter, have developed an idea far more full of promise for the future than any mere improvement of isolated dwellings, namely—the idea of unitary homes, where the magic of association shall secure to the whole population whatever advantage isolated houses can give in combination with those greater advantages that collective action can provide. And we have now in actual operation a remarkable example of what may be thus effected. The admirable results obtained by M. Godin in the Social Palace constructed by him at Guise, call upon all who desire to see the homes of the working population what the homes of mankind ought to be, to give their most serious attention to the ideas enunciated by one who has so strikingly illustrated in practice what he has luminously expounded in principle.* Individually I may say, that to the Social Palace, with its varied range of enjoyments and advantages, and the collective property in land naturally accompanying them, I look as the true key which will open the door to that higher life—the goal, and rich reward of co-operative effort. Viewing it in this light, I proceed to deal with some objections likely to be

* For a fuller account of M. Godin's ideas and the Familistère at Guise, see the tract on "Associated Homes," published by the Central Board.

raised to the idea of such common dwellings, by persons whose *beau ideal* of desirable domestic arrangements has hitherto been that of a house and land of their own.

A residence in a unitary home, it may be said, would be like always living in lodgings. But, in truth, the relation of the residents in these dwellings to their abode would be quite unlike that of a lodger to his apartments. The associated home would be the property of an associated body; who might indeed allow persons, not members of the association, to occupy part of their abode as passing tenants, but would themselves be jointly interested in the whole property; holding the rooms in which they lived as their own, so long as they chose to retain their occupation, without liability to a rise of rent, or fear that the outlay on any improvements made by them would be lost to them if they removed; but with greatly increased power either of increasing or diminishing the number of rooms that it might be convenient to them to occupy, and facilities for giving them up altogether if they desired to do so. All this the rules of the society might secure to the residents, in consideration of their paying rent, in proportion to the amount and character of the accommodation required by them, upon some fixed scale, which would form the income of the association and make of its stock a safe investment. There would be no owners behind the residents to take advantage of them. They would be the collective owners, to whom all advantages derived from the property would belong. They would regulate for themselves the conditions under which the occupation of their joint property could be made most beneficial to them. They would thus be able to unite the sense of security now attending individual ownership, with freedom from the burdens which the individual ownership of houses and lands often draws after it; and would find in the stock of the association a means of investment, practically recouping their rent.*

* The experiment of combining numerous separate family dwellings into a joint residence has been successfully tried in England among

To the objection that these homes would destroy the privacy of domestic life, the experience of our ancient colleges, of the dwellings mentioned in the note at the bottom of this page, and of any one who has seen the Familistère at Guise, gives the best answer. It is an objection founded on ignorance of the fact. The unitary home makes intercourse easy, but it secures privacy greater than is generally possessed by the dwellers in town. It expresses the spirit of unity, and gives it full effect by preserving individuality. It is in truth the proper co-operative dress needed to make human life such as we may reasonably aim at making it, and accordingly, as has been noticed, it forms an essential part of the plans of Robert Owen, no less than of Charles Fourier.

This circumstance confirms the conclusions arrived at in treating the question, how the profits on production should be dealt with. For clearly, if they are to be applied, not in the mass for the benefit of the workers who are engaged in carry-

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the richer classes in the suites of rooms in Queen Victoria-street, London. The mansion erected by Mr. Hankey at Queen Anne's Gate approaches more nearly to the idea of an associated home. At Richmond also a similar attempt has been successfully made. Among the poorer classes, again, the houses built by the Metropolitan Dwellings Association, the Peabody Dwellings, and the dwellings erected by the Improved Industrial Dwellings Company, may be referred to in proof of the superior accommodation capable of being brought by this means within reach of the bulk of the people. But none of these attempts come up to the notion of an associated home, such as M. Godin has produced. The aim of such a home is to unite all its residents into a self-governing body in all the measures required by their common interest; so that those who are neighbours locally may become true associates, with a mutual disposition to promote each other's welfare, manifested among other ways in the management of whatever conduces to the common convenience. The home would have the uniting effect of a co-operative store applied to the daily affairs of life in a way which cannot be done among men scattered in separate and often distant residences. Hence, however near one associated home might be to another, the wholesome feelings of neighbourhood, which naturally exist in country places, but are lost in our great towns, would never cease. Each would be a little community of its own, where everybody, more or less, knew every one else; and found in the help they could render to each other an inexhaustible field of morally healthy occupation.

ing on productive enterprises, but as minute dividends on purchases, distributed among a body of persons resident in widely separated localities, co-operative production will not in any way tend to the formation of associated dwellings. The workers will live as they do now, where and how they best can around the places where their work may be carried on, occupied probably, whenever they entertain the question of improving their dwellings, with plans of co-operative cottage building, which tend to strengthen the present tendency to domestic isolation rather than to replace it by those higher forms of associated life on which, if the "logic of co-operation" is not quite at fault, human progress really depends. The idea which has been sometimes thrown out, that this social principle may be left to produce its own appropriate form of domestic life in the future, and that co-operators have only to look to the increase of their individual incomes by means of co-operation in the present, really means, that the poorer classes should throw away the thoroughly effective means of creating better domestic arrangements now within their reach, in order, at some indefinitely remote future, perhaps, under much greater difficulties, to make such arrangements by union among themselves.

What they might do now, if they began to carry on production with a view to doing it, the statistics of the West End Leicester shoe works, moderate as is the profit which they yield, show. I quote them in preference to such results as M. Godin obtains at Guise, because the profit *is* moderate, and therefore at least as large an amount of benefit may be looked for generally; while, as we possess also the statement of the business through which these profits are produced, it is possible to contrast the effects of the two modes of applying them—scattering them over consumption, or concentrating them on work. From a table contained in a paper on Co-operative Production, written by Mr. Joseph Greenwood,* and compiled from

News for 1879, p. 192.

statistics furnished by Mr. T. Wood, of the Wholesale, it appears that in 1878—

The sales at these works produced	£76,884
The number of hands employed was ...	672
The wages paid were	£25,030
The capital employed was	22,490
And the net profit was	£2573

or at the rate of £11 8s. 10d. per cent. This profit is the clear manufacturing gain, after allowing the usual discount for cash to meet the cost of distribution. It is what the capitalist would have got for himself if the work had been carried on upon his own account; and it leaves £1,575 surplus, over £998 the interest on the capital at £5 per cent.

Now, suppose that instead of a business of some £76,000, the sales from the shoe works should be four times the amount, £300,000, which even now, the consumption of the present co-operative societies if it were all concentrated upon them would probably yield. We should have, at the same rate of profit some £6,000 applicable under prudent commercial conditions to improve the social position of the workers, who would be earning about £100,000 in wages, and would probably number if they all found full employment in these works, somewhere about 2,000. For it appears that about three-fifths of the workers, 357 out of 595 employed in November 1879, who earned 48·44 per cent. of the wages paid, £320 out of £662, were out-door workers, who take the work home, and of whom many work not only for the Wholesale but also for other employers in this business. So that the wages above mentioned are less than the total earnings of those who do the work; while the number of workers mentioned is larger than would be required to turn out the work done, if the whole time of all the workers was occupied in this work; as must be the case, if they occupied such a social mansion as M. Godin has constructed, connected with a shoe factory built on a site selected with a view to the welfare and enjoyment

of the working population, for whose benefit the profits hitherto absorbed by the capitalist were applied. What would the resources placed at the command of the managers of such an establishment enable them to do for its inmates?

First, for defraying the cost of the social dwelling, they would have the sums paid as rent by its working inhabitants, which, according to the experience of M. Godin, if they paid at the same rate as they are used to give in manufacturing districts for accommodation very inferior to that provided by him, would yield upon the outlay required more than the customary £5 per cent. But this wages' fund would not only thus house the population as it should be housed—it would do a great deal more. It would maintain the gardens and orchards surrounding the dwelling, where utility might easily be combined with ornament, as may be seen in the kitchen gardens of many an old mansion whose flower beds border spaces appropriated to the production of fruits and vegetables, of which they might furnish to the inmates an abundant supply on the most reasonable terms. Again the benefits arising from a co-operative store might be secured to the inhabitants to a degree far more complete than is usually the case at present, from the fact that the store would form part of the mansion, and so be within a few yards of the rooms of all its inhabitants, who, if the building was constructed on the model of that at Guise could obtain whatever they required without having to go out of doors. Whence their expenditure at the stores, if these were properly stocked, would probably be a good deal more nearly equal to the amount of wages and emoluments than is the case in our present co-operative experience, where we know that the store is continually exposed to a competition with the shops which in numerous cases prove, by the attraction of convenience, very formidable rivals to the attraction of dividend.

Now, we know that prosperous stores with an income of from £10,000 to £12,000 a year, at which the income of the

associated home store must be estimated under the circumstances, generally begin to make outlays for libraries, reading-rooms, halls, &c., for the benefit of their members. That a similar disposition should be manifested by the members of a store placed within the mansion, where the ease of access would make these institutions so generally useful, cannot be considered an improbable assumption. It might be extended probably to such purposes as washhouses and laundries. Here then we have a whole mass of social benefits brought directly within the reach of the body of workers by means of their own incomes only, before we begin to deal with the profits on their work; simply because they would have acquired by association the power of applying their earnings so as to secure from them the maximum of advantage which they can yield, independently of any application of profits. Of these, I suppose, 15 per cent., say £1000 to be carried to reserve. There remains £5,000. How shall this be dealt with?

If we take as our guide the institutions established at Guise, and resting upon this example, consider what the profits of the manufacture would make it possible to do for the workers, beyond what the wages earned by them would enable them to do for themselves, we obtain the following basis for our calculation—

ANNUAL OUTLAY AT THE FAMILISTERE OF GUISE.*

	£ s.	£ s.
Administration, office expenses, cleaning, water service	209 12	
Gas lighting	52 16	
Repairs	58 0	
		320 8
Subscription to Provident Funds, to meet an equal sum paid by the employés ...	...	432 0
Nursery and Babies' School (see next page)	...	432 0
Infants' and other Schools (see next page)	...	316 0
Extra lectures	...	40 0
Total	...	1,540 8

* These figures were carefully compiled from information obtained on the original issue of the Manual. They are retained as well as those relating to the Wholesale at that date, because the argument is independent of the particular figures.

Institution.	No. of children provided for.	Annual Cost.	
		Per child.	Total.
		£ s. d.	£
Nursery...	40	10 0 0	400
Babies' School	40	0 16 0	32
Infants' School	80	1 0 0	80
3rd class „	45	1 4 10	56
2nd class „	65	1 8 0	91
1st class „	55	1 16 0	88
Total	325	..	748

The rate of contribution to the Provident Fund varies from 9½d. to 2s. (1 fr. to 2.50) a month, while the fund created by the contributions and the addition made from the profits of the business suffices to give a right in case of illness :—

1. To the visits, at the choice of the patient, of one of the three regular medical attendants at the Familistère :

2. To an allowance varying from 9½d. to 4s. (1 to 5 frs.) a day during the continuance of the illness :

3. To the use of bed linen, night shirts, and other apparatus conducive to comfort :

4. To medicines for all members of the family.

For a fuller notice of the admirable system of attention bestowed on the infants and children in the Nursery and Babies' School at the Familistère, I must refer to the tract on Associated Homes. The cost of them has been distinguished in the summary above given from that of the schools for elder children, because, at the present day the expense of the latter might probably be defrayed from the general educational rate, and so cease to be a special burden on the funds of the society. The charge above stated would thus be reduced to £1,224. In an establishment of the size of that assumed by me, the number of persons would be somewhat more than double that of the residents in the Familistère.

Put it at 2½ times, we should get a charge of about £3,000 as the cost of providing for—

1. The general convenience of the inmates:

2. The perfect care of the children up to the age when the infant school receives them:

3. Superior teaching for those who, having gone through the regular school course, are desirous of building up a higher edifice of knowledge upon it:

4. The care and comfort of the sick and disabled.

These benefits would be additional to the general advantages which the population would derive from using the savings on their own consumption for common purposes, in the way above-stated. There would remain £2,000, which judiciously applied in premiums as the reward of intelligence and industry among the workers, or to give a general character of finish and neatness to the mansion and its surroundings, would produce an effect greater than the smallness of the means might lead us to expect; because the action would be repeated year after year, and tell, as all impulses often renewed and not counteracting each other do tell, to an extent far beyond what might be anticipated from their individual feebleness; and because they would insensibly produce in the inhabitants that pride in and attachment to their residence, which the presence of beauty in some form commonly creates.

Contrast this picture of what the profits of a work yielding but a moderate return on the capital employed may effect, even without reckoning on the probable increase if the workers were working for themselves, supposing these profits to be concentrated upon the persons who do the work, with the result obtainable from dividing them on purchases.

The sales of the Wholesale during the year 1878, to which the figures above given relate, were £2,739,500.

Now the profits realized by the Wholesale from its manufactures are, it appears, not distributed specially among those who buy the particular articles, but form part of the general

fund arising from the charges put by it upon all the articles which it supplies, whether they are of its own manufacture or are bought from other manufacturers. The Leicester Shoe Works are treated in this respect, with perfect fairness. The goods are charged with such a discount as other manufacturers would allow to the Wholesale for cash payment, and are credited with the whole surplus profit upon the prices obtained from their sale, without any deductions but those which prudent private manufacturers would make. The works, therefore, are fairly treated in estimating their earnings. But what is done with these earnings? They are cast into the common *pot au feu* of the Wholesale business, and constitute part of the sum applicable to defray its general expenses and pay its dividends, to which in the year 1878 they contributed £0·00570, just under one-eighth of a 1d. in the £. No doubt these imperceptible sums are distributed over a correspondingly large number of persons. But the well-being of man does not admit of being reduced to a mathematical equation, where 1,000,000 times $\frac{1}{1,000} \frac{1}{000}$ is equal to 1. No one could feel himself the better off, for the half farthing saving which the profits of the Leicester Shoe Works, dealt with in the way they are dealt with, may theoretically bring to him on an outlay of £1. I say theoretically, because, practically, the sum is so small, that if taken alone it would not be distributed at all, but only carried to reserve with an ultimate possibility of forming part of some dividend to be declared thereafter.

But, supposing it to be divided, I say its capacity for social good is reduced to a nullity by the process. Instead of helping to promote the well-being of a numerous body, as when concentrated upon work it might do in an important degree, and, by the desire to imitate such an example called forth from the experience of this effect, creating an ever widening circle of benefit, it will be entirely wasted in an effect which will not be perceived at all.

Hence it appears that the scheme of dividing the profits of

work among those who only purchase it, is open not only to the objection that it must give to the richer classes by far the largest part of the profits on manufactures, because they will be by far the largest buyers, but also to the objection that what it does give to the working classes, it will give them in a form in which the benefits of the gift will be thrown away; dissipated into fractions so infinitesimally small that they benefit no one.*

The illustration given above of the way to apply the profits on work, so that instead of thus uselessly dissipating their power this power may be made as effective for good as it can be, has been confined to one kind of work. If we imagine many varieties of manufacture, yielding various rates of profit in proportion to the capital employed, to be carried on in federal connection, it would become possible so to combine those profits as, without throwing upon one man the burden of another man's acts, to remove, or at least greatly to mitigate the inequalities of payment at present attaching to

* It may be objected that, in the text, the actual profit on the Wholesale Shoe Works in 1878, is compared with a profit assumed to be four times as large. But as this increased profit is supposed to be derived from a fourfold increase in the sales of shoes, which must be expected to correspond to an increase of sales generally, the proportion of profit to purchases would not be affected. It must be also noted that the amount of sales is at wholesale prices. To see what a purchaser must pay in order to get out of the profits of the Leicester Shoe Works half a farthing, the retail charge, which cannot be put at less than 25 per cent. must be added. In other words *in order to obtain 1d. by co-operative production in the shoe works carried on upon the Wholesale scheme the purchaser must spend* £10 if the rate of profit is no greater than at Leicester in 1878, or £6 8s. 1cd. if the profit were a clear £10 per cent. This however, is on one kind of manufacture only. If we would estimate the total result of a system of production on the Wholesale plan, supposing it applied to supply all the demands of the working population for manufactured articles, we may form some idea of it thus:—The profit of the Leicester Shoe Works in 1878 distributed among the purchasers of the shoes only, would have given them £0·020,485 or a trifle under 5d. on each £1 bought at wholesale prices or 4d. on each £1 at retail prices, rising to 6d. in the £1, if the net profit realized on the manufactures after paying £5 per cent. on capital, rose to £10 per cent. On these data every one can calculate from the consumption of *new* manufactured articles by himself or his family during the year, what the possible advantage of such a system would be in his own case. See appendix Note 12, for some additional calculations.

different kinds of work. For instance, the contributions to the Provident Fund from different establishments might be combined; so that in all the trades thus associated the same rate of payment by any worker would entitle him to the same amount of benefit secured by his contributions whatever the particular work in which he was employed. So the provisions for the care or instruction of children might be relieved from any uncertainty attending the varying profits of different businesses in different years, by the institution of common funds, to which each society should contribute some fixed proportion of its profits, and thus bring out an average charge, where the stronger would help the weaker without feeling any burden.*

The combination of different manufacturing operations might also afford facility for what would be in itself a great social advantage, the carrying on of more than one kind of work in connection with the same associated home; so as to prevent the splitting up of the population into separate castes of persons locally separated, of whom each set was busied only with one kind of work. Thus it would conduce to that fusion of classes which it should be the social object of associated dwellings to bring about, by the insensible influence of neighbourhood combined with the refined influence of education.

While the response, which any such plans of the working classes for their own social elevation would certainly call forth among large bodies of the richer classes, would give to the latter, through the influences connected with the common dwelling, the means of doing effectually what they are now trying to do in a thousand ways often productive of more harm than good. Their wealth would be converted into a real blessing to those around them, while it became to themselves a permanent source of happiness from the consciousness that it was thus used.

In such circumstances the associated homes would cease to

* For further consideration of this subject see Appendix, Note 11.

be restricted to the dwellings of persons maintained by the industrial occupations by which the bulk of the population must always be sustained. Each house would form a society within itself, whose occupiers might often derive their incomes from sources distinct from any work carried on in immediate connection with it, and, if their resources permitted might be members of many such associations in various districts, moving from one to another at their pleasure. So, groups of such homes might spring up in localities which for any reason attracted a numerous population, who might find occupation in industrial establishments distinct from any of them, and form residences possessing the semi-rural enjoyments lavished by the imagination of Dr. Richardson on his City of Health. And here it might be found that large central bazaars, independent of either houses or industrial establishments, though affiliated with them, might furnish depots for the distribution of many articles more convenient than the stores within the homes where articles of food would naturally be supplied. So that Production, Distribution, and Home residence would again acquire the independence now belonging to them, without the evils now attending it.

It is tempting to continue a picture of a world free from those social evils which now aggravate to an incalculable extent the difficulty of that contest with selfish desires, the expression in ourselves of the struggle for existence pervading all natural being, which all of us must fight out in our own breasts. But to yield to this temptation must carry us so far away from the existing state of society, that the picture would be in danger of losing all practical usefulness. It would be a dream banished to that golden age which must always flee before the experience of life, till men learn that the heaven from which the Divine vision shall descend is to be sought within themselves; and that the kingdom of God on earth will come, as soon as they heartily *will* that it shall be realized, by the simple method of uniting to give generally to those around them the advantages which they seek to secure personally for themselves.

Chapter 10.

THE APPLICATION OF CO-OPERATION TO BANKING.

It is well known that in various parts of Europe, especially in Austria, Belgium, Germany and Italy, the system of People's Banks, introduced into Germany by that eminent social reformer Dr. Schulze Delitzsch, has formed the first step of co-operative union,—out of which a great variety of other co-operative enterprise has arisen in the country of their origin. A somewhat detailed account of these institutions is given in the Appendix to the Report of the Congress for 1879. Since that time there have appeared two of the annual statements by which their progress in Germany is described with a profusion of figures, such as, though emanating from a purely voluntary union put our annual returns quite out of countenance. From the first of these I take the following summary of the state of these associations at the end of 1886 :—*

Total Number.		Numbers Making Returns.		
Banks	2,135	... ...		881
Members (estimate)	1,500,000	... ...		451,452
Business „	£150,000,000	... ...		£74,128,571
Capital of members	£15,000,000	... ...		£6,606,266
Deposits and loans	£25,000,000	... ...		£20,587,056

The principle upon which these banks are founded is that of creating confidence in the public by means of the joint unlimited engagement entered into by each of the members of any bank for all its debts, and thus obtaining deposits, or loans from the ordinary banks as well as from individual depositors, by means of which the members can make themselves ad-

* I take this return instead of the one for 1879 because it contains 49 more returns. The number of banks had increased in the year from 1841 to 1866.

vances to an extent greatly beyond what their own capital would enable them to do. Whence they gradually accumulate—out of the profits of this larger business, as well as from that arising through their own subscriptions, funds out of which they can in various ways aid themselves; as they have done, among other things, by founding the variety of societies of different sorts enumerated in the Annual Reports—1879, pp. 75, 92, 97, and 1886, pp. 83, 90.*

This effect of confidence produced and advances of capital in consequence, showed itself very early in the history of these banks. Indeed, this confidence if measured by the amount of money lent, would appear to have been even greater then than at present; for, though the total sums dealt with are much larger than they were at first, the proportion of deposits to the capital held by the members has decreased, as appears by the following figures for each five years from 1859 to 1886:—

Banks Included in Returns.	Percentage of	
	Own Capital.	Deposits and Loans.
1859 ... 80	27.50	72.50
1863 ... 333	22.30	77.70
1868 ... 660	30.40	70.70
1873 ... 834	27.33	72.69
1878 ... 943	33.68	66.32
1883 ... 922	32.05	67.93
1886 ... 881	32.09	67.91

	1878.	1886.
* For the supply of Raw Materials	211	704
,, Agricultural Purposes	135	202
,, Magazines (Industrial)	54	62
,, ,, (Agricultural)	—	7
,, Productive Purposes (Industrial)	133	154
,, ,, ,, (Agricultural)	65	388
,, Assurance and Various Purposes	37	55
,, Distribution (Consumvereine)	621	696
,, Building	49	35
Total	1305	1337

The operation is of the same kind as that on which the success of our own great banks depends. For their large dividends are derived not from large profits made on their own capital, but from small profits on the very large amount of other men's money beyond the amount of their own capital, with which they have to deal. The original capital serves mainly to create the confidence which attracts these moneys, and is kept up by the amount of the reserves invested in Government Securities, constituting the ever available assets of those great institutions.

It will be seen that the People's Banks somewhat surpass our distributive societies in facilitating the first step of co-operative work, the accumulation of capital by the poorer classes—451,452 persons having accumulated in twenty-seven years an average of £15 9s. 5d. in share capital, while in England the amount of share capital accumulated up to the end of 1886, in forty-three years after the foundation of the Rochdale Equitable Pioneers' Society, by 702,974 persons, averaged only £11 18s. 11d. There was indeed also £1,401,000 of loan capital. But this cannot properly be brought into account unless we knew how much of the £20,587,056 deposits in the German banks belongs to the owners of the share capital. The energetic protest of Dr. Schulze Delitzsch against any measure tending to shake the confidence which has enabled the members of these societies to use for their own elevation a capital more than three times larger than that possessed by them individually, is justified by these results. They must awaken the desire that an institution productive of them could be introduced among us. That the limitation of liability, which would no doubt be called for by the feeling prevailing in England in this respect, and is made imperative in the case of Industrial and Provident Societies by the law relating to them, does not prevent the growth of such institutions, is shown by the example of Italy, where the People's Banks have taken firm root and flourish greatly under this limitation.

In fact, however, our Industrial and Provident Societies Act

does apply, in the case of societies transacting banking business, provisions for the protection of creditors which give them, in a different way, a security probably practically as effective as that assured to them by the indefinite liability of the members in the banks created under the present German law. For by this law every member of a society formed under it has a right to leave the society, at the end of any year, on a four weeks' notice, unless the rules of the society especially provide otherwise, and to demand payment of the sum standing to his credit within three months thereafter; remaining liable for the debts due at the time when he ceases to be a member, for two years. While by our law, since banking business cannot be carried on by a society with withdrawable capital, a member must remain liable to lose the whole of his investment, whether arising from his own contributions or the profits of the business, unless he obtain some one to whom his shares are transferred. And even if he does effect the transfer he would remain liable for any amount unpaid upon his shares for a year after he has ceased to be a member, if the actual holder did not pay this sum, and the amount were needed to satisfy the claims of any creditors for debts subsisting at the time when he ceased to be a member.

If a reserve of uncalled capital is required in order to produce confidence in a banking society, it is possible to create this reserve to any desired extent, by provisions in the rules of the society under which any determined proportion of the capital may be left unpaid as a guarantee to creditors. It seems then that it ought to be practicable to form under our Industrial and Provident Societies Act, People's Banks, which might give to their members that power of accumulating capital out of the profits of banking business, given by the People's Banks of the Continent to so large an extent, to the populations of Austria, Belgium, Germany, and Italy, if the desire to form these institutions should take root among our population.

For, although the greater number of small manufacturers and traders in Germany, compared with that in Great Britain, and the large number of small farmers and peasant occupiers or owners

Occupation.	Members.				Per Centages (Men & Women) to whole number.	
	1878.		1886.			
	Men.	Women.	Men.	Women.	1878.	1886.
I. Independent landowners, gardeners, foresters, and fishers ...	77,342	3,059	103,569	4,920	23.13	26.77
II. Assistants and workmen in Class I.	10,154	687	11,603	977	3.11	3.10
III. Manufacturers, mine-owners, and builders ...	12,668	277	13,558	376	3.72	3.45
IV. Independent hand-workers and craftsmen ...	107,972	3,664	114,556	4,494	32.08	29.38
V. Workmen in manufactories, mines, and trades	16,232	547	18,919	669	4.80	4.83
VI. Independent merchants and traders	32,894	2,257	35,579	2,843	10.12	9.48
VII. Clerks and assistants	2,374	117	2,678	103	0.78	0.68
VIII. Carriers by land and water, and innkeepers	17,377	884	18,883	1,260	5.24	4.97
IX. Lettercarriers, r'lway, telegraph, and post employés and workmen, sailors and waiters	7,033	84	7,803	148	2.94	1.98
X. Servants ...	2,449	909	2,601	1,415	0.96	0.99
XI. Physicians, apothecaries, teachers, artists, Church and State officials	23,602	946	25,427	1,136	7.05	6.55
XII. Fund-holders, pensioners, and other persons with no occupation	10,388	13,984	11,806	19,758	7.01	7.79
	320,479*	27,421*	367,042*	38,099	99.97	99.97

* These are the corrected totals of the Summary. The figures in the tables for 1878 make the men 320,485, and the women 27,415.

of land offer a wider opening for the introduction of the system there than exists among us, the statistics of the members of the German banks prove, that they include very large numbers of persons of occupations analogous to many abounding in our country, as is shown by the preceding table of the occupations of the members of 706 banks in 1878, and 747 in 1886 contained in the Annual Reports for 1878 and 1886.

It will be seen that of all these classes, the only one represented in Germany much more extensively than in Great Britain, is No. IV., hand-workers and craftsmen working on their own account. But this class forms, on the average of the two years, 30.73 per cent. of the whole body; 69.27 per cent. remain of persons who certainly must exist in very large numbers in our own country, where Class IV. would at all events find some persons answering to it. The difference between Great Britain and the Continent in this respect can therefore scarcely be such as to make impossible the working of an institution from which results so beneficial to the poorer classes, in that first step to their elevation the accumulation of capital, have followed to so large a degree as has followed among the Germans, if they were formed and carried on with the same object as that pursued in Germany;—namely, to enable these poorer classes, by means of the credit obtained through their collective responsibility, to become depositories of the savings of the classes richer than themselves; and by employing these sums in advances in the way of banking business at rates of interest higher than those which they give for them, to realize on their own investments profits which they may apply in the formation of a capital for themselves.

The idea is different from that hitherto for the most part associated among us with the notion of co-operative banking. We have been used to look upon it only as a means of providing from the surplus moneys of co-operative societies, apart from its use as a convenience of making payments, a fund which, being managed by persons desirous of promoting co-operative business, may be thus employed, instead of being used, as the

moneys in the hands of ordinary bankers largely are used, in supplying the demands of private traders. The object is excellent, and if there existed a number of productive co-operative enterprises carrying on their business upon the terms of credit customary with private traders, and receiving payment by acceptances from customers in good repute. which they desired to discount and place the proceeds to their own account, according to the custom usual in private trade, it would be of great advantage to have a central bank disposed to make the accumulated balances of its customers available for giving to the co-operative producer the same sort of facilities which the non-co-operative producer obtains through the ordinary banking chanels. But at present this advantage is little felt. The business is conducted as a department of the Wholesale, and its balance-sheets for the two years ending March, 1888, show the following results, omitting shillings and pence :—

Quarters.	Total Assets.	Bills not Due.	Loans, Arrears Acct.	Advances.
	£	£	£	£
1886 March	1,258,387	5,405	93,137	18,599
June	1,297,008	3,165	101,178	19,601
September ...	1,319,413	8,773	97,901	25,768
December ...	1,283,000	4,568	101,671	26,000
1887 June	1,367,908	5,082	90,281	26,804
September ...	1,394,459	6,320	104,344	25,898
December ...	1,365,842	8,600	106,176	26,350
1888 March	1,451,340	4,132	108,216	27,383

How small is the amount of that staple of ordinary commercial banking business,—bills discounted, is apparent. The bulk of the assets beyond cash in hand and balances in other banks, consists of advances on loans and overdrafts.

I say nothing about the safety of these advances. In some cases they are made to societies, which hold, in the shape of loans to the Wholesale, amounts larger than the over-drafts allowed them. But it is obvious that advances by way of over-drafts, since they do not represent particular transactions which come to a natural termination when the bills are

due, as the discounts of ordinary commercial business do, must always be in danger of slipping into the character of advances which cannot be called in without serious inconvenience to the parties to whom they are made. Whence they may gravely compromise the position of a banker, who, being liable to repay the money in his hands on demand, or on very short notice, should have the assets out of which they are to be met in a position such, that he can readily make them available to meet such demands as they arise.* Yet, from the little use of commercial securities in the businesses of co-operative societies it is difficult to see in what other way the deposits of the societies, not employed in the business of the Wholesale itself, could be productively employed by it except in this kind of business, and permanent loans, which if made on the security of commercial properties are peculiarly exposed to risk.

The habit of ready money dealings, which is a tower of strength to co-operative transactions in so many ways, is, in this province of banking, a source of difficulty. It reduces the function of the banker almost to that of taking care of the moneys entrusted to him, and giving his customers the advantage arising from making their payments by cheques. Even for investments in over-drafts and loans the Wholesale banking business is largely indebted to societies which do not properly belong to the co-operative fold. While for a large proportion of the moneys in its hands it seems, so far as appears by its balance sheets, unable to find employment, as is shown by the following table, which includes advances or loans of every sort, to Manufacturing and Mining Companies, Building, Distributive, and Productive Societies.

Quarters.	Loans.	Advances.	With other Banks.	
			*Amount.	Per Cent. of Total Assets.
1887 June	£90,281	£26,281	£254,163	18.58
September ...	101,344	25,898	146,171	10.48
December ...	106,176	26,358	97,380	7.12
1888 March	108,216	27,383	205,539	14.16

* This is after the investment of £100,000 in Consols.

* That this danger may exist on over-drafts by the customers of the Wholesale

It seems clear from these figures that although the connection of the banking business with the Wholesale was originally necessary in order to create the confidence without which the business would not have been commenced, this connection has now become injurious to its progress. If a co-operative bank is to become a general depository of the income of co-operative societies and co-operators; if it is to do "not only the business of the Wholesale, but all the banking business of the co-operative movement, distributive and productive, also of joint stock companies, trade and friendly societies," as the resolution of the Wholesale Committee of June, 1872, contemplates; if, in fact, it is to become an important banking institution, it must cease to confine its operations to the classes to which they have been limited up to the present time. It must open its doors to every customer, individuals, firms, companies or societies, and deal generally with the commercial securities in which other banks find the great means of profitably employing the balance of deposits in their hands. While the management of the institution is carefully retained in the hands of co-operative societies, it must carry on its business so as to secure the largest returns attainable upon a solid basis, and under a prudent management.

Such a change would necessarily involve a complete separation of the bank from the Wholesale Society, whose constitution is not elastic enough to take in as members those whose admission is indispensable if the bank is to prosper. But it was shown in Mr. Hughes' paper, read at the Leicester Congress, and the discussion following upon it, that this separation would really be a great benefit to the Wholesale, which loses one of the principal advantages that it should derive from a co-operative bank, the power of paying its loan holders by acceptances which they would have no difficulty in discounting,

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appears from the fact that, of the advances mentioned in the original issue of the Manual, there were due from the same 27 societies or companies :—

Dates.	Amount.	Per cent. of whole.	Dates.	Amount.	Per cent. of whole.
1880 June	£70,062	79.75	1880 December	£97,226	71.55
„ Sept.	96,834	85.13	1881 March	96,149	83.84

through this bank being only a department of its own business; while the position now attained by this business would make it possible to introduce a co-operative bank free from the fetters which now prevent its growth, under conditions such as would give it a peculiar claim to public favour.

The total number of societies and companies which have banking accounts with the Wholesale, according to its statement in March, 1880, including its own trading department, was 136, and the net income of 87 of these societies, included in the Registrar's return for the year ending December 31, 1878, was £279,698. Adding the net income of the 49 societies or companies not included in this return, and that of the Wholesale itself, we may take the net income of the customers of the Wholesale bank, on a moderate estimate, as at least £400,000.

At present the only guarantee for the moneys deposited in the bank beyond the bank assets is the Wholesale itself. Now, the net income of the Wholesale according to its annual return for 1879 was £48,167, or about $\frac{1}{8}$ of the whole income of the other customers of the bank: and the excess of its assets over the demands upon them, including the balances on its trade account, was, according to its March Balance Sheet, £188,471 which constituted the guarantee to the bank depositors at that moment. Suppose then a bank to be formed, upon the principle of using its share capital only as a guarantee for the safety of its deposits, to be gradually replaced by the accumulated profits arising out of its business, and that the guarantee of the Wholesale were limited to £150,000, produced by its holding, say, 30,000 £5 shares with 1s. per share paid up, surely it would not be difficult to find among the other 136 depositors, whose net collective incomes must be eight times that of the Wholesale, a number sufficient to raise £150,000 of additional guarantee. Whence, while the Wholesale was relieved to a considerable extent, the depositors would obtain an additional security beyond that at present given them of somewhere about £110,000, with the great advantage of its resting upon the stability, not only of the

Wholesale, but also of a number of societies independent of it. While, practically, they could obtain a great additional security in the amount of Government stocks, which it would be possible for the co-operative bank when disentangled from the Wholesale to hold, as other banks habitually do, though, as is shown in Mr. Hughes' paper, so long as the great trading establishment is united with the bank, such an operation would involve a heavy loss with no corresponding advantage.

Let us suppose now, that, by the constitution of this co-operative bank, its profits were divided between shareholders, and customers; every customer who held an average balance of some fixed amount, being entitled to take up shares in proportion to the average amount of his balance; and that the shareholder's profits were accumulated till the shares were paid up wholly, or to any limit determined. We should have a bank unique in its character, since it would practically be mutual. For no capital would be required to start it beyond the 1s. per share, which would, no doubt, be absorbed in the original outfit. The actual business of the present customers of the Wholesale would be sufficient to make it self-supporting from the first. So that every customer would be able to assure himself of a share in the profits proportioned to the business brought by him, by taking upon himself a corresponding proportion of guarantee liability; while the share of profits of those who declined this risk would go to augment the benefits of all who undertook it.

To preserve the character of the direction, it would, I conceive, be sufficient to limit the choice of directors to candidates nominated by the society-members, for whom all the members might vote as they pleased. So that they would not feel themselves shut out from a share in the government, while yet they could not transfer the management to hands opposed to the progress of co-operation. Thus might an institution be formed, which having full freedom to direct its resources to any channel where they could be safely and remuneratively employed, according to the wants of trade, might serve to make available for the benefit of co-operators, the large re-

sources which a well-managed bank, able to draw in the business of all who were favourable to co-operative progress, would gradually command.

No doubt such an institution would have to run the risks attending banking operations generally. It could not reasonably expect a greater immunity from losses by fraudulent transactions than its well-managed contemporaries, the London and Westminster Bank, for example, which we know has suffered heavily in one case from this cause. But the London and Westminster Bank has nevertheless done a very large and profitable banking business. If we compare its losses with those actually sustained up to the present time by the Wholesale in its banking department, from the system of overdrafts and advances on securities of a commercial nature, in which its operations have mainly consisted, bearing in mind the proportion of loss sustained to the total amount of funds employed, we shall not find much reason for congratulating ourselves on the greater security of this mode of using deposits over that more generally employed; while if the business is confined to such operations, it appears clear that the Co-operative Bank must be contented to take up the position of a somewhat insignificant Finance and Loan Association.

The question really is, Shall this be its history? or, Shall it be transformed into an institution which may give to the co-operative body a large command over capital, with a corresponding power of aiding co-operative institutions, as they grow up, by the facilities for transacting business which banks can properly offer, and by affording to the competitive producer and trader very greatly contribute to their prosperity. Looking forward to the increasing opposition likely to be raised to the spread of co-operation such a transformation of the Co-operative Bank as may convert it into a powerful centre of banking operations, appears very desirable in the interests of the whole movement. Without it, the time may come when co-operators may find their action embarrassed in various ways from the want of a strong and widely-spread system of banking business.

CHAPTER II.

THE LAW RELATING TO INDUSTRIAL AND PROVIDENT SOCIETIES.

Various legal provisions affecting societies registered under the Industrial and Provident Societies Act, 1876, have been noticed in the chapter on Distributive Co-operation. But these relate to the mode of forming the societies and the registration of their rules, or amendments, with a few notices of matters directly bearing upon their business.

I propose here to give an abstract of the whole law specially relating to them. Where no other reference is expressed, the reference is to the Act above named, the Customs and Inland Revenue Act, 1880, and the Provident Nominations and Small Intestacies Act, 1883.

I. The constitution and obligations of a society—

1. *Members.*—A society cannot be registered unless it consists of at least seven members, besides the secretary, who need not be a member, but must join in signing the application for registration and the rules. Sec. 7 (1 and 2).

It may comprise any body corporate, including any other registered society. Sec. 12 (5), and Schedule II.

Minors, if over sixteen, may be members, and have all the legal powers of members, except that of being officers. Sec. 11 (9).

No member except a registered society can hold any greater interest in its shares than £200. Sec. 6.

2. *Objects.*—A society must be formed to carry on some labour, trade, or handicraft. It may carry on more than one. The buying and selling of land is expressly included. Sec. 6.

Therefore a society cannot be formed for *any* lawful purpose as a company may be, but as the profits of its business may be applied for any such purpose, Sec. 12 (7), a society which has some other purpose to

which a trade may be subservient, such as the forming a club, may include in its rules a power to its managers to apply to this purpose the profits of any business specified as its object, with any other funds subscribed for that purpose, and may give them all necessary powers for so doing.

3. *Registered Office.*—Every society must have a registered office to which all communications and notices may be addressed, and notify to the registrar for the country where it is situate, its situation, and any change in it. Sec. 10 (1 *a*).

If it carries on business in more than one country it is to be registered in the country where its registered office is situate, but copies of its rules must be recorded in the other countries.

4. *The name* of the society must have "Limited" as its last word. Sec. 7 (5).

The last word but one need not be society, but cannot be company. (Practice of the Registrar's office.)

The name must not so nearly resemble the name of any other society, as in the judgment of the Registrar to be likely to deceive the public. Sec. 7 (3).

It can be changed with the approval of the Chief Registrar, in writing, by a process described below. Sec. 7 (3), Schedule II., 12.

The provisions as to its publication, Sec. 10 (1, *b*), are stated in the chapter on Distribution.

5. *Audit and Accounts*, Sec. 10 (1, *c*).—Once at least in every year a society must have its accounts audited—

Either by a public auditor,

Or by two or more persons appointed under its rules:

Who are—To have access to all its books and accounts;

To examine the general statement of the receipts and expenditure, funds and effects;

To verify it with the receipts and vouchers relating thereto;

And either to sign it as correct, duly vouched, and in accordance with law,

Or to report to the society in what respects they find it incorrect, unvouched, or not in accordance with law.

6. *Balance Sheets.*—The society must keep a copy of its last balance sheet, and the auditors' report, always hung up conspicuously in its registered office. Sec. 10 (1, *g*).

7. *Annual Return.*—The society must make to the Registrar, in the form required by the Chief Registrar, before the 1st of June in every year, a return of its receipts and expenditure, funds, and effects. Sec. 10 (1, *d*).

And it must supply a copy of its last return to every member or person interested, gratuitously on application. Sec. 10 (1, *f*).

8. *Copies of Rules.*—A society must supply a copy of its rules to every person on demand, at a price not exceeding one shilling. Sec. 9 (5).

9. *Inspection of Books*, Sec. 10 (1, *e*).—A society must permit every member or person interested in its funds to inspect—

The names of the members;

And the books, other than the loan or deposit account of any other member;

At the registered office of the society;

At all reasonable hours;

Subject to any regulations made by it as to the time and manner of inspection.

10. *The Rules* of the society must provide for the matters following. Sec. 9 (1) and Schedule II.

(1) Name, date, and registered office:
(2) The terms of admission of members:
(3) Meetings and the alteration of rules:
(4) The governing body:
(5) The shares which a member may hold.
(6) The terms of loans and deposits, subject to Sec. 10 (2):
(7) Shares, whether to be transferable or withdrawable, or both, and corresponding provisions:
(8) Audit of accounts:
(9) Withdrawals, death, and bankruptcy of members:
(10) The application of profits:
(11) The seal of the society.

(12) Partial investment of capital:

A few additional rules, which are in fact only repetitions of provisions of the Act to which it has been thought desirable that the attention of societies should be especially directed, are required to be inserted. With the subjects above mentioned, they form twenty matters set out in the forms of application referred to in the chapter on Distribution, and for which, as is there stated, model forms may be obtained from the Registrar's office, and are contained in the General Rules.

Except in those cases where the rules are repetitions of the Act and follow its words, societies are at liberty to word their rules as they please on the matters where rules are required, as they are at liberty to add rules on any other matter they may wish, subject to the power of the Registrar to refuse to register any such rule.

11. *Appeals*, Secs. 7 (8) and (9) and 9 (3).—This power, however, is not arbitrary. An appeal lies against a refusal to register any rule of a society, original or amended;

In England, to the Queen's Bench Division of the Supreme Court;

In Scotland to the Court of Session;

And in Ireland, to the Court of Queen's Bench at Dublin.

II. The rights of a registered society—

1. *Incorporation*, Sec. 11 (1) and 7 (10).—By registration, which is imperative where the provisions of the Act are complied with, Sec. 7 (7), and of which an acknowledgment by the Registrar for the country is made conclusive evidence, unless the registry is proved to have been suspended or cancelled, a society becomes a body corporate by the name described in this acknowledgment, by which it may sue and be sued by its own members or anyone else:

With a common seal:

And liability of its members limited as stated in V.

2. *The Rules of the Society* bind its members and all persons claiming through them to the same extent as if each member had subscribed his name and affixed his seal thereto, and there were contained in such rules a covenant on the part of himself, his heirs, executors, and administrators to conform thereto. Sec. 11 (2).

3. *Who are the members* of a society is *prima facie* provable by any register or list of members kept by a society. Sec. 11 (11).

This supposes that the list or register is not so kept as to contravene any rule of the society. For if it is so kept the rule would probably be held to invalidate the proof founded on the register.

This enactment makes quite useless the provision, often found in the rules of societies, that applicants for admission shall sign a declaration agreeing to be bound by the rules before they can become members. All that is required to make the rules as binding upon any person as they can be made by any agreement, is the proof that the person is a member. Now this proof the Act makes easy if no special formality is required by the rules. But if such a formality is required, and it has not been complied with, as is often the case with declaration books which circumstances prevent many supposed members of a society from signing, grave questions may arise dependent on whether these persons can be considered to be members or not. Hence it is better to dispense altogether with such books. If they are used they should be made to conform to the practice of joint-stock companies, where the agreement to be bound by the memorandum and articles of association is made part of the original application for shares.

It must be observed, also, that the Act, while giving to the rules of a society their binding character, does not give the members any power of binding persons not members. I mention this because it seems sometimes to be supposed that a rule of a society as to what is to be done with the shares of a member who dies intestate will override the claims of next of kin under the statute for the distribution of the property of intestates. But this is a mistake. The members may bind themselves, but they cannot take away the rights of their next of kin except by a nomination or a will properly executed.

4. *No alteration of the rules* of a society is of any force until it is registered, of which the acknowledgment is conclusive evidence. Sec. 9 (4). Secs. 9 (2) and 7 (6) as to societies carrying on business in more than one country.

Hence a society cannot reserve to itself the power to modify its rules by any by-law. Neither can it by the resolutions of any general meeting, whether ordinary or special, take away or qualify any right or power given by its rules to any of its officers. But a society as a body corporate may, by the resolutions of a general meeting duly convened, make any regulations relating to its affairs not inconsistent with its registered rules, which will bind all its members so long as they are not altered by a similar authority.

5. *All moneys* due from a member to the society may be sued for, at its option, in the County Court,* either for the district where the registered office of the society is situate, or that where the member resides. Section 11 (3).

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* In Scotland the Sheriff's Court, and in Ireland the Civil Bill Court. Sec. 3.

6. *Income Tax.*—A society is exempt from charge to income tax under Schedules C, relating to investments in government securities; and D, to the profits of the business of the society, Sec. 11 (4);

Unless it sells to non-members, *and*, either by its rules or its practice, limits the number of its shares.—B., Sec. 8.

This enactment simply places any society subject to it in the position of a joint-stock company. That is to say, the society will be liable to pay income tax on its profits, unless these are so small as to entitle it to exemption; but any member of it who individually is wholly or partly exempt from the tax will be entitled to a return of the sum deducted from his share of the profits of the society, or so much as corresponds to the proportion of his income on which he is entitled to claim exemption.

This is the only exemption from taxation enjoyed by societies. In all other respects they stand on the same footing as other persons; therefore, they must put stamps on receipts of sums of £ 2 and upwards for any moneys paid to them, if these receipts are to be of use to prove the payment; and the transfers of shares must be stamped with the proper stamp according to the value transferred, in order to be used in proof of the transfer.

7. *Commercial Instruments.*—A society is empowered to make, accept, or endorse promissory notes or bills of exchange by the act, under its authority, of any person who makes, accepts, or endorses such instruments in its name, or by or on its behalf or account. Sec. 11 (10).

8. *Contracts.*—Generally, a society is entitled to make any contracts in the like forms to those in which such contracts may be made by individuals, either under seal, or by writing signed by some person acting under its authority, or verbally by some person similarly acting. Sec. 11 (12).

The Act also contains provisions for facilitating the proof of the authority given. Sec. 11 (12, *e*).

9. *Land.*—A society, if its rules do not forbid it, may acquire in its own name lands of any tenure, and deal with them or any buildings on them as it pleases. Sec. 12 (1).

And special provisions are made in the case of copyholds for enabling the society to be free from any future claim by the lord of the manor, so long as they remain the property of the society. Sec 12 (3).

We have seen, in I., 2, that the buying and selling of land is among the objects for which a society may be formed.

10. *Loans and Deposits.*—The terms on which a society may contract loans are left to be regulated by its rules, the Act requiring only that the rules shall state them, Schedule I., 10 (6).

In regard to deposits the case is different, depending on the nature of its shares. Sec. 6 and 10, 2 (*a*, *b*).

The society may, if it pleases, carry on the business of banking, if its shares are wholly transferable;

And since this business rests on the receipt of deposits, is at liberty to receive them to any amount permitted by its rules, subject to the publication of a statement of its assets in the form contained in Schedule III.

But if the society has any withdrawable capital,

Or having only transferable capital, does not include the business of banking among its objects;

It is limited in the receipt of deposits to sums within the total limit stated not exceeding 5s. at any one time, or £20 for any one depositor, and requiring not less than two clear days' notice of withdrawal;

And it is prohibited from making any payment of withdrawable capital so long as any claim due on account of any such deposit is unsatisfied. Sec. 10 (2, *c*).

Disputed claims are, I conceive, not included in this prohibition. It must be observed also that the deposits referred to are such as would ordinarily come under banking business. Payments made on account of loans to the society secured in any way allowed by the rules would therefore not come under this rule, though they may be received in small sums, but may be regulated as the documents by which they are secured provide.

11. *Loans and Investments*—

(1) *Loans.*—The power of a society to lend is more limited than its power to borrow, being confined to advances to members on the security of real or personal property, if its rules allow of this. Sec. 12 (2).

The repayment of such loans is facilitated by provisions;

For re-vesting any property mortgaged to the society in its owners by the endorsement on the mortgage of a receipt for the amount. Sec. 12 (8);

And for the entry of notice of satisfaction on court rolls or any other register. Sec. 12 (9).

(2) *In investments* a greater latitude is permitted. Sec. 12 (4). Subject to the provisions of the rules of any society, such investments may be made in the registered name of the society, in or on the security—

Of any other society registered under the Act, or the Building Societies Acts;

Or of any company registered under the Companies Acts, or incorporated by Act of Parliament or charter;

Provided that if the investment is in, and not on, the security of any society or company, it is one with limited liability.

These provisions in respect both to loans and investments appear to apply only to the partial employment of capital in ways other than the conduct of any business which the society is formed to carry on. For this the Act gives no special authority, apparently because the legislature considered this power to be implied in the permission to form a society for the particular business. Hence in the case of a society formed to carry on the "business of banking," the employment of its capital in any way customary in such a business must, I conceive, be allowed. Investments in Government securities, though not mentioned in this section, must therefore be within the power of such a society, since they form one of the regular modes of employing capital in banking. So must advances of money on the security of bills of exchange or promissory notes by discounting them. For the banking business of the society would be seriously hampered if it were limited to such advances as are permitted by Sec. 12 (2).

This conclusion is strengthened by the following considerations:—The statement which Sec. 10 (2, *b*) and Schedule IV. requires every society which carries on this business to make out half-yearly, enumerates as two heads of assets—Government securities, and bills of exchange and promissory notes. Again, Sec. 11 (8) provides in various cases therein mentioned for the transfer of stock transferable at the Bank of England or Ireland belonging to societies, and held in the only way in which such stock could be held, in the names of trustees. Now, both these provisions would be unmeaning if no society could make any advances or investments other than such as are mentioned in Sec. 12 (2) and (4). They become intelligible only if these sections are considered to be confined to the partial investment of capital by societies whose business does not require them to use it in the way customary in banking.

I may observe also, in regard to Government securities, that the Chief Registrar appears to consider this mode of investment to be allowable to any society which takes power to make it by its rules.

12. *Acts requiring a special resolution.* Sec. 16.

A society may, by the following process,—

Change its name;

Amalgamate with any other society;

Transfer its engagements to any other society or company;

Convert itself into or amalgamate with a company.

(1) It must pass a resolution for the purpose desired, by a majority of three-fourths of the members present at a general meeting, of which notice specifying the intention to propose this resolution has been duly given. Sec. 16 (1).

That resolution must be confirmed by a majority of the members present at a meeting, of which notice has been similarly given, held not later than fourteen nor more than thirty days after the first; Sec. 16 (1).

And it must be registered at the central office. Sec. 16 (6).

(2) To change its name, the society must also obtain the approval of the Chief, or in Scotland or Ireland the Assistant Registrar, in writing, to the new name. Sec. 16 (2).

(3) To an amalgamation, the consent of every society amalgamated, by resolutions so passed and registered is requisite. Sec. 16 (2).

(4) To convert a society into a company, the resolution must contain the particulars required by the Companies Act to be contained in the Memorandum of Association of a Company.

The Registrar will then issue, under the seal of the office, a copy, which may be registered as a Memorandum of Association under the Companies Act on being duly stamped. And thereupon the registry of the society will become void. Sec. 16 (7 and 8).

The effect of this registration being to bind together as a company under the Companies Act, the same persons who at the moment of registration formed the society, they will continue to hold as a company whatever

property they held previously as a society. The alteration resembles a change of dress—the name of the society falls off and that of the company is drawn on; but the body clothed is unaltered. Hence no provision for transferring the property of the society to the company is required or contained in the Act; though to prevent the possibility of any legal juggle it keeps alive a society converted into a company for the purpose of enforcing in its name against the company any right or claim on the society subsisting at the conversion. Sec. 16 (8).

The Act does not confer on a company any power of amalgamation which it does not possess independently. It may perhaps be held to place a society in the position of a company, so as to authorise its amalgamation with any company which, under its own articles, could have amalgamated the society with itself had it been a company. But, as this is doubtful, any society which may desire to amalgamate itself with a company should ascertain before it passes the resolution for amalgamation, that the amalgamation is authorised by the articles of association of the company in force at the time when the resolution is registered.

A society which desires to convert itself into a company, should also ascertain before it passes any resolution for that purpose, that the Registrar of joint-stock companies does not object to register it, as he is bound to do if the proposed name should be identical, or likely to be confused, with that of any other company. In general, a refusal to register on this ground is unimportant, because the signatories of the memorandum of association can substitute another memorandum with an altered name. But in the case of a society the refusal would involve the repetition of the proceedings for converting itself into a company, which might cause great inconvenience; against which the Registrar of Industrial and Provident Societies is unable to give any protection, since he has no information as to the names on the register of companies. It is necessary, therefore, for the society to protect itself by previous inquiry at the companies' registry office.

Forms of proceedings for all the cases above-mentioned have been provided by the Treasury Regulations made under the Act, and may be ascertained by application at the Central Office.

13. *Administration to intestate members.*

If the amount of the shares held by any member does not exceed £100;

And he dies intestate and without having made a subsisting nomination under the power after-mentioned;

The Act gives the committee of management of the society the power, without letters of administration,* and charges it with the duty of distributing these shares among the persons who appear to them entitled thereto. Sec. 11 (6);

* Or confirmation in Scotland. Sec. 3.

And it confirms this distribution against any demand upon the committee or society by any other person. Sec. 11 (7).

14. *The profits* of the business may be applied to any lawful purpose.

III. The rights of members individually—

1. *Nomination.* Sec. 11 (5).

(1) A member not under the age of 16 is entitled—

To dispose of his interest either in shares, loans, or deposits (6), up to the limit of £100, by any writing under his hand, delivered at or sent to the registered office of the society.

And to revoke or vary this nomination similarly.

(2) This right may be exercised in favour of—

Any person not an officer of the society;

An officer who is husband, wife, father, mother, brother, sister, nephew, or niece of the nominator.

(3) Every society is required—

To keep a book where the nominations made by its members shall be recorded;

And, on receiving proof of the death of a member, either to pay the amount due or transfer the shares comprised in the nomination to the nominees. Sec. 11 (5). Subject, if the amount is over £100, to the production of a stamped receipt for the succession or legacy duty payable thereon, or a certificate from the Commissioners of Inland Revenue that none such is payable. C. 10 (1).

2. *Inspection*—

(1) *Of the books of the society.* See I., 9.

(2) *Of the affairs generally.*—One-fifth of the members, if not more than 1,000, or 200, if over 1,000 but not more than 10,000, or 500 if more than 10,000, may, by application to the Registrar,* supported by such evidence as he requires of a good reason for the application, obtain:

The appointment of an inspector to examine and report on the affairs of the society to the Registrar,*

* *i.e.*, in England the Chief, in Scotland or Ireland the Assistant Registrar.

Or the calling a special meeting to discuss and determine such matters as he directs, under a chairman appointed by it; and, if the Registrar* so directs, at the cost of the society, both as respects the inspection and special proceedings. Sec. 15 (1, 4).

3. *The decision of disputes* between a member, or any person claiming through him or under the rules, and the society or any of its officers is provided for as follows:—

(1) If the rules contain any direction for their determination, and they are so decided, the decision is final. Sec. 14 (1).

(2) Sec. 14 (5).—If they contain no such direction;

Or if no decision is made within forty days after application to the society for a reference;

The case may be decided on the application of the member or person aggrieved—

By the County Court (for Scotland and Ireland. *see* II., 5);

Or by a court of summary jurisdiction.†

(3) If the rules direct disputes to be referred to the justices they are to be determined by a court of summary jurisdiction. Sec. 14 (4).

(4) By the consent of the parties the matters may be referred—

To the County Court in any case cognisable under the rules by a court of summary jurisdiction.† Sec. 14 (4);

If the rules do not expressly forbid it, to the Chief, or in Scotland or Ireland the Assistant Registrar; to whom the Act gives all necessary powers for

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* *i.e.*, in England, the Chief, in Scotland or Ireland the Assistant Registrar.

† That is, in the City of London, the Lord Mayor or any alderman;
In any place in England within the jurisdiction of a metropolitan or other stipendiary magistrate, such magistrate or his substitute;
In the police district of Dublin a divisional justice;
In any other place in England or Ireland two or more justices of the peace sitting in petty sessions;
In Scotland the Sheriff's Court. Sec. 19 (3 and 4).

examining witnesses and enforcing the production of books and documents. Sec. 14 (2 and 3).

(5) The Court or Registrar are authorised to obtain the decision of the higher courts on any points of law involved in any matter referred to them, as well as to grant discovery of documents to either party in the dispute. Sec. 14 (6).

IV. The protection of the society.

1. *General misappropriation of property of the society.*—Any person—Who obtains possession by false representation or imposition of any property of the society;

Or having the same in his possession, withholds or misapplies it, or wilfully applies any part to purposes other than those expressed or directed by the rules or authorised by the Act—

Is liable to be proceeded against summarily—

On the complaint of—The society, or any member authorised by it, or the committee of management, or by the Central Office.

Or of the Chief Registrar, or any Assistant Registrar by his authority;

And on conviction is liable to a penalty not exceeding £20, with costs not exceeding 20s.;

And to be ordered to deliver up all such property or repay all such moneys improperly applied;

And in default of payment in compliance with the order, to imprisonment for any time not exceeding three calendar months with or without hard labour. Sec. 12 (10).

Or if the offence is indictable under the general law he may be proceeded against by indictment. Sec. 12 (10).

2. *In the case of officers of the society* having charge of money the Act contains two provisions, of which the second makes the first of little use.

(1) Every such officer must, if the rules of the society so require, give such security as the committee approve for

July accounting for and paying over all moneys due from him to the society. Sec. 13 (1).

(2) Every such officer, his executors or administrators, must—at such times as the rules of the society require;

Or on demand made by a notice, in writing, given or left at his last or usual place of abode;

Give in his account as may be required by the society or committee thereof, to be examined and allowed or disallowed by them;

And pay over all moneys, and deliver over all property, for the time being in his hands or custody, to such person as the society or committee appoint;

And if he neglects or refuses to comply with any such demand, the society may—

Either sue him on his bond or security [if he has given one], or may apply either to—

The County Court, which is authorised to proceed in a summary manner;

Or to any court of summary jurisdiction;

And the order of either of such courts is made final and conclusive. Sec. 13 (2).

As the directions of the Act are positive, I apprehend, though this is not positively declared, that a failure to comply with them would be an offence against the Act, carrying with it the liability to fine under the provisions relating to offences mentioned subsequently.

3. *In the case of the members generally.*—A society may protect itself against any breach of its rules by thereby imposing on its members penalties which would become binding upon them by the force given generally to the rules (*See* II., 2); and are recoverable in the same manner as penalties for offences against the Act. Sec. 18 (4).

V. The protection of the members. Sec. 17 (2).

1. *Contribution to debts of the society.*—The members of a society cannot be required to contribute to the payment of its debts any larger sum than the amount remaining unpaid—

(1) Upon any shares held by them at the date when the winding up begins;

(2) Upon any transferable shares held by them within one year previous to this date;

(3) Upon any withdrawable shares withdrawn within one year previous to the date.

2. Case (2) applies only to persons who have ceased to be members previous to the winding up;

And to debts then subsisting.

Case (3) applies only to debts subsisting at the time when the share was withdrawn.

And in both (2) and (3) the contributions can be required only where the assets of the society, independent of such contributions, are insufficient to pay the just claims on it.

In case (3) the provisions of the Companies Act as to the liabilities of members upon shares no longer held by them, which in that Act apply only to persons who have ceased to be members, are extended so as to apply to withdrawable shares, although the former holder continues a member. The effect is that the holders of such shares continue liable to contribute on all the shares held by them within one year previous to the commencement of the winding up, to the whole amount received by them; but only in respect of the debts subsisting at the time of the withdrawal of the share, and in case they cannot be paid without this contribution.

VI. The Audit of Accounts and Evidence—

1. *Audit.*—Under the authority of the Act, Sec. 21, the Treasury has appointed public auditors for its purposes, and fixed the rates of remuneration to be paid to them by societies.

The employment of such auditors is not obligatory, but a society employing them has the advantage that the certificate of one such auditor is sufficient, while otherwise two auditors are required. Sec. 10 (1 *c* and *d*).

2. *Evidence.*—The seal of the Central Office is made evidence of every instrument, document, copy, or extract to which it is attached.

And any document purporting to be signed by any registrar, inspector, or public auditor under the Act is receivable in evidence without proof of the signature. Sec. 24.

VII. Dissolution of Societies—

The Act provides three modes in which a society may be brought to an end.

A.—It may be wound up by a process similar to that by which a company may be wound up under the Companies Acts; that is—

(1.) By the resolution of the members to put an end to it;

(2) By a voluntary winding up, in order to provide for debts which it cannot otherwise meet;

(3) By an order to wind it up made by the County Court (for Scotland and Ireland, *see* II., 5).

(4) By a voluntary winding up under the supervision of the court.

1. In case (1) a special resolution is necessary; (*See* II., 12).

In case (2) there is required one meeting only, at which there is carried by a majority of three-fourths of the members present a resolution—"That it has been proved to the satisfaction of this society that the society is unable, by reason of its liabilities, to continue its business, and that it is advisable to wind up the same;"

In case (3) a variety of circumstances under which the order may be made are enumerated in the Companies Act, 1862, Sec. 80, with the general power to make it whenever the court is of opinion that it is just and equitable that the society should be wound up;

Case (4) may arise on a voluntary liquidation;

Either if it becomes necessary to apply to the court to restrain the proceedings of any creditor;

Or if some dissatisfied creditor invokes the interference of the court, which, however, does not think fit to take the liquidation wholly out of the hands of the members.

2. In every case a liquidator must be appointed, either by the shareholders or the court, whose business it is to get in the assets, including all sums due from contributories, and to apply them in or towards the discharge of the debts, and to divide the balance, if any, after payment of all

such debts and the costs of the liquidation among the shareholders.

The liquidator takes the place of the committee of management of the society, and is armed with all the powers necessary for enabling him to complete the liquidation, including that of carrying on the business if it appears to him desirable for this purpose, subject in a voluntary liquidation, to the obligation of laying a statement of accounts before a meeting of the shareholders once a year so long as the liquidation goes on. Where the liquidation is conducted by order or under supervision of the court, all operations of this kind require its sanction.

3. In a voluntary liquidation it is necessary to advertise the liquidation in the *Gazette*,* though the liquidation begins from the passing of the resolution or its confirmation where it requires to be confirmed.

4. When the liquidation is brought to an end, notice of its termination must be given by a meeting similarly advertised, of which the liquidator is to make a return to the Registrar. Three months after the date of registration of this return the society will be dissolved.

A penalty not exceeding £5 a day is imposed on any default in making this return for every day during which it continues.—Companies Act, 1862, Sec. 143. And as the Registrar of Industrial and Provident Societies may fix the form in which any return to him has to be made, Sec. 10, 2 (5), and, therefore may require it to contain a statement of the advertisement in the *Gazette*, he may secure the insertion of this advertisement. There is no penalty attached to the non-insertion of the original advertisement; but the want of such a notice would be a suspicious circumstance, which might tell gravely against the liquidator if any attempt should be made to set the liquidation aside.

5. The provisions above stated are contained in the Companies Act, 1862, and made applicable to Industrial and Provident Societies by the Act, sec. 17 (1), with the substitution of the County Court and Registrars of Industrial and Provident Societies in place of the Court of Chancery and Registrar of Joint Stock Companies, as the court

* London, Edinburgh, or Dublin, as the case may be. The Act, Sec. 3.

and officers having authority in the matter. But to carry the account of these proceedings beyond this short notice of their general character would introduce subjects too extensive for the present Manual.

B.—The second mode of bringing a society to an end is by an instrument of dissolution.

1. This instrument must be prepared in duplicate in a form prescribed by the Treasury regulations, and must set forth—

(1) The liabilities and assets of the society;

(2) The number of members, and the nature of their respective interests;

(3) The claims of creditors (if any), and the provisions made for their payment;

(4) The intended appropriation or division of the funds and property of the society, which, however, may be left to be determined by the Chief Registrar. Sec. 17 (3 *a*).

2. Such instrument must be signed by three-fourths of the members. Sec. 17 (1);

And it must be accompanied by a statutory declaration that the provisions of the Act have been complied with, made by three members and the secretary of the society, and sent up to the Registrar with the instrument. Sec. 17 (3 *c*).

Alterations in the instrument (if any) must be similarly consented to and attested. Sec. 17 (3 *b*).

3. The instrument, with all alterations (if any), must be registered in the same way as the rules of the society, and will thus become binding on all the members. Sec. 17 (3 *d*);

It is to be advertised by the Registrar at the expense of the society in the *Gazette*, and some newspaper circulating in the county where the registered office of the society is situate. Sec. 17 (3 *e*);

Forms of the notice relative to this advertisement may be obtained from the Central Office.

And at the end of three months from the date of the *Gazette* in which the advertisement appears the society will be dissolved—

Unless the instrument is set aside by a proceeding commenced previously in a court which has jurisdiction to wind up the society. Sec. 17 (3 *e*).

Of which notice is to be given—

By the person who makes the application seven days before making it;

And by the society if it succeeds. Sec. 17 (3 *f*).

C.—A society may also be put an end to by cancelling its registry at its own request if the Registrar thinks fit so to do, Sec. 8 (1 *a*), with the consequences stated in VIII.

VIII. Provisions for enforcing the Act—

1. *The Cancelling or Suspension of Registration.* Sec. 8 (1 *b*).

(1) If an acknowledgment of registration has been obtained by fraud;

Or a society exists for any unlawful purpose;

Or it has wilfully, and after notice from the Registrar,* violated any of the provisions of the Act;

The Registrar* may, by his own authority, suspend its registry for any time not exceeding three months;

And with the consent of the Treasury,

May continue such suspension from time to time for any similar period,

Or may cancel the registry.

(2) Two months' notice is to be given to a society whose registry is proposed to be suspended or cancelled on the ground thereof. Sec. 8 (3).

And the society has the like right of appeal as in the case of a refusal to register a rule. Sec. 8 (4).

But on a suspension only when it exceeds six months. Sec. 8 (4).

(3) Notice of every cancellation or suspension is to be given as on an Instrument of Dissolution. Sec. 8 (3).

* *i.e.*, in England, the Chief, in Scotland or Ireland the Assistant Registrar.

(4) Sec. 8 (5).—A society whose registry is cancelled—

Absolutely ceases to enjoy as such the privileges of a registered society;

But remains subject to any liability incurred by it.

(5) The like effect is produced by any suspension of registry during the time that it lasts. Sec. 8 (5).

Hence, during the suspense of its registry, a society could not do any corporate act, such as suing for a debt or making a conveyance, though it may be sued and the corporate property seized on a judgment.

On the cancelling of the registry of a society, its property would, I conceive, become the joint property of all the members at the date of the order, and would devolve to the survivor unless by a conveyance, executed by all of them, or under an order of partition it is otherwise disposed of.

The reduction of the number of members below seven would be a ground for an order to wind up the society.—Companies Act, 1862, Sec. 242. But the case might also be properly met by cancelling the registry.

2. *Pecuniary Penalties.*—(1) A fine of not less than £1 nor more than £5 is imposed—

On every society, officer, or member of a society, or other person guilty of any offence under the Act, for which no penalty is expressly provided. Sec. 18 (3).

(2) It is declared, Sec. 10, 3 (*a–d*), to be an offence against the Act if any society—

Fails to give any notice or send any document, or do or allow to be done any act or thing which it is by the Act required to give, send, do, or allow;

Wilfully neglects or refuses to do any act, or to furnish any information required for the purposes of the Act, by the Registrar or other person authorised by it;

Does any act or thing forbidden by the Act;

Makes a return or wilfully furnishes information in any respect false or insufficient;

Carries on the business of banking, having any withdrawable share capital;

Or, in carrying on such business, does not make out and keep conspicuously hung up such statement as is required by the Act. Schedule II.;

Makes any payment of withdrawable capital while any claim due for deposits received under Sec. 10 (2 *c*) is unsatisfied.

(3) And every offence committed by a society is deemed to have been committed—

By every officer bound by the rules to fulfil the duty of which it is a breach;

Or if there is no such officer, by every member of the committee who is not proved to have been ignorant of, or to have endeavoured to prevent it;

And if continued for more than a week, is taken to be a fresh offence in every week during which it is continued. Sec. 10 (4).

(4) Sec. 18 (1).—A penalty not exceeding £50 is imposed, on—

Every person who wilfully makes, orders, or allows any entry or erasure in, or omission from, any balance sheet of a society, or any document required by the Act with intent—

To falsify the same;

Or to evade any provision of the Act. Sec. 18 (1).

Any officer of a society, or person on its behalf, who transgresses the provisions of the Act mentioned in p. 102, as to the use of its seal, or the issuing documents not bearing its registered name; Sec. 18 (2).

Together with the personal liability to payment there stated. Sec. 18 (3).

(5) The pecuniary penalties are recoverable by summary process (See III., 3) at the suit either of—

The Registrar; Sec. 18 (4).

Or any person aggrieved. Sec. 18 (4).

3. *Criminal Penalties.*—(1) It is made, Sec. 9 (6), a misdemeanour, in Scotland a crime and offence (Sec. 3), for any person,—

To give to any other person, with intent to mislead or defraud, a copy of any rules, laws, regulations, or other documents other than the rules for the time being, registered under the Act, on the pretence—

That the same are the existing rules of a registered society;

Or that there are no other rules of such society.

To give to any person a copy of any rules on the pretence that such rules are the rules of a registered society when the society is not registered.

(2) *An appeal* lies from any order or conviction made by a court of summary jurisdiction on any complaint or information under the Act;

In England and Ireland, Sec. 19 (6 *a*, *f*)—

To some court of general or quarter sessions for the county or place where the cause of appeal has arisen, held not less than fifteen days nor more than four months after the decision appealed from.

In Scotland, Sec. 19 (7)—

To the Court of Justiciary or any other circuit court thereof, under the 20 Geo. II. (4);

Or to the Court of Justiciary in Edinburgh, under the Summary Prosecution Appeals (Scotland) Act, 1875.

IX. The provisions above stated comprise all the parts of the Act of general importance, with exception of the clauses relating to societies registered before it was passed.

1. These societies are taken to be registered under it. Sec. 5.

And provision is made for preventing the repeal of the Acts under which they were registered, affecting any rights arising under them. Sec. 4.

And their rules, so far as they are not contrary to any express provision of the Act, are kept in force till altered or rescinded. Sec. 5.

2. But in regard to the powers given by the Act, and not made to depend upon the rules of a society, the Act relaxes the operation of the rules, by providing that either the society or its members may exercise any of such powers, notwithstanding any provision contained in any rule thereof, certified before the Act passed. Sec. 11 (2).

X. The provisions of the Act not noticed above relate to—

Sec. 1. The Short Title.

Sec. 2. The extent of the Act.

Sec. 3. The definition of the various terms employed in it.

Sec. 7 (4). Societies Registered under the Industrial and Provident Societies Act, 1852, and not under the Industrial and Provident Societies Acts, 1862 and 1867.

Sec. 10 (5). The Forms of Return.

Sec. 10 (6). The Registration of Documents required to be sent to the Registrar.

Sec. 12. (6). Setting forth Forms of Mortgage, &c., in the Rules.

Sec. 19 (1 and 2). Mode of Prosecuting Offences and Recovering Penalties. (5). How Offences are to be Described.

Sec. 20. Regulation of Proceedings in the County Court.

Secs. 21 and 22. Power to Treasury to determine Scales of Fees and Regulate Forms.

Sec. 25. Duties of the Registrar.

Sec. 26. Application of the Act to the Channel Islands.

PART IV.

THE

HELPS AND HINDRANCES TO CO-OPERATION.

PART IV.

Chapter 12.

THE PERILS OF CO-OPERATION, AND HOW TO ESCAPE THEM.

To enter at any length into the matters forming the title of this part would be to repeat much of what the other three parts have contained. It is not my intention to weary the reader by carrying him again over the ground we have traversed, but in a matter of such vital importance to the mass of the population as co-operative action must be, if it be regarded from the point of view presented in these pages, a few words to sum up the teaching of this manual may not be thrown away. Like the barbed head of the arrow, they may help to make the thoughts, which constitute its shaft and give force to the blow, stick.

Co-operation, as described in this manual, is a serious effort to unite in the business of life the ideal with the real, or, in the language of the New Testament, to *realise* on *earth* the "kingdom of God and His righteousness," in the assured conviction that all else shall be added to those who thus place themselves in harmony with the all-sustaining power, that Divine unity on which the infinite differences of individual existence rest, and of which they are the expression. Co-operation will be helped by whatever promotes this disposition. It will be hindered by whatever checks it. Its danger and its safety depend on the absence or presence of this spirit of unity.

It has been the object of this work to trace how that spirit can realise itself in the busy world of industry which, in modern times, has assumed such gigantic and ever-growing proportions. Its writers have endeavoured to point out that

the means for effecting this realisation lie ready to our hands; that, in our days and our country, they require no sweeping changes in existing institutions; no violent revolutions; no reigns of terror; no alteration of the law, extorted by the many from the fears of the few. On the contrary, it has been argued that any attempt of this nature would interfere with and thwart the progress of co-operation, by destroying that peaceful atmosphere of law-abiding activity, in which alone the institutions, whence we look for these results, can grow up and thrive.

We have pointed out that, beginning with that which is in the power of every body of men in the United Kingdom—union to obtain for their own use what they require every day—they may pass on to union by which they may give to those who produce what they want the benefits now absorbed by those who employ them, while they find in such unions an evergrowing field of investment for their own savings. That, by the wise employment of these funds, in bettering the dwellings of the producers, and providing against the contingencies of life, they may make the profits of production secure for one group of workers after another the comforts and advantages which, as now used, they can bestow only on a few, but bestow on them in a superabundance detrimental to the higher life of the spirit rather than conducive to it. And that thus, by the gradual accumulation of wealth and the ownership of land which naturally follows it, they may attain, by a process of peaceful evolution, that collective property of the soil and the instruments of labour which the party calling themselves Social Democrats and Collectivists, propose to attain by throwing themselves headlong into a current certain to carry them farther and farther from it—the stream of violent change.

Looked at in its successive steps, the path to the emancipation of labour by converting the capital indispensable to its activity from an exacting master into an obedient servant seems, and indeed is, easy; but only on condition that it be

followed in a spirit thoroughly co-operative. For, doubtless, the way is long, far longer than will allow any of the generation now alive ever to see more than the beginning of the end. Only a comparatively few, and these exceptionally favoured, may succeed by their unassisted efforts in reaching the desired goal. It may be lost for the many, through that selfish impatience for immediate results, which refuses to sow the seed because it cannot expect to reap the corn. And precisely here lies the greatest danger to co-operative effort.

Co-operation has prospered hitherto in Britain under the form of union for distribution, as it has prospered in Germany under the form of union for people's banks, greatly because so many persons have found their immediate individual advantage in the effects of the union originated by those who had higher objects in view.

The distributive store has given to all who joined it not only articles on which they can rely that they are what they profess to be, but an increased power of buying these articles. When they are formed on the Rochdale plan they have given them, besides, admirable savings banks, banks which save for them without trouble, and can afford to pay at least one-third more interest than ordinary savings banks, with a security which, in societies that have outlived the perils of infancy, may justly claim comparison with that of any other banks. So the people's banks of Germany have prospered, because the confidence inspired by them has enabled their members to deal with loan capital much larger than their own capital, for the use of which they paid much less than they received from this use; and thus have added to the savings from their own income the earnings of a business at once safe and profitable. Each of these institutions, therefore, found support in that principle of direct self-interest, to follow which it costs us no effort, because it belongs to our nature as animals, and is kept in constant training by the struggles of competitive society.

To confine ourselves to our own case,—That, under these circumstances, this first step in co-operative progress—union for the accumulation of capital—should have been taken by the large number who have taken it is not more than might have been reasonably expected to happen, as soon as the eyes of the consuming public became opened to what the late John Stuart Mill saw very clearly, namely, the very large share of the total produce of labour actually used up by the charge for distributing the remainder. But the case entirely changes when we pass from distribution to production.

No doubt here, too, the formation of societies which should carry on the co-operative programme sketched above in its completeness, as M. Godin has nobly carried it out at Guise, would be to the very great advantage of the workers collectively. But individually, to the few whom superior ability or some happy accident may enable to "get on" the backs of their fellows in the competitive struggle, it may seem a disadvantage, hindering them in this "getting on," of which they are ambitious. While the men who have no chance of ever "getting on" anybody's legs but their own, whose only well grounded hope of materially improving their position individually is by raising it collectively, are apt to be, if not opposed to this collective action, yet indifferent to it, because, while only a few can be lifted up at once, the help of a great many is required to lift them. So that the cry of "every one for himself" makes itself felt if not heard, here, where it means, "let none of us be raised unless all of us are equally raised at the same time," as there, where it means "don't stop me from rising."

How extensively this feeling works is shown by the readiness with which the large body of working men who compose the English Wholesale have acquiesced in the scheme of diverting all the profits of their Leicester shoe works from the workers there employed, and applying them as part of the general fund distributed as dividends on purchase; though, as has been shown in a former chapter, the sum added to these

dividends when the profits are thus dealt with is so small—a fraction of a farthing on every pound of outlay—that even the societies which directly receive it cannot derive from it any appreciable advantage; while to the individual buyer that advantage, small as it is, vanishes by being strained through the profits of the society; so that no one can feel his position to have been sensibly improved by this division.

In this case there is no temptation to withdraw the profits on work from the workers through that fear of diminished dividends, which led the members of the so-called Co-operative Cotton Manufacturing Company at Rochdale to withdraw the small share of profit they had originally conceded to them, as it has prevented the Oldham spinning companies from permitting them to participate in their profits. And I question whether there are fifty men in the Wholesale Society who believe in the possibility of carrying on production generally on the system known as Federal, described in the chapter on Production, and therefore defend this subordination of production to consumption on theoretical grounds, in the view of a great general good ultimately anticipated from it. Yet the mass acquiesce in thus destroying the hopes of the producer, without gaining a benefit felt by the consumer. More improvident than Esau, these modern hunters after profit throw away their birthright as workers, *without* getting their mess of pottage, and clap their hands over their success.

Here lies the great danger to the progress of co-operation as a systematised plan of social reform. The bridge which the profits on production would allow the workers to build over the river of poverty that now separates them from the advantages of wealth, is barred by the twin giants, Individual Self-seeking and Collective Indifference, the last-named being the most formidable. The working producer requires the alliance of the working consumer, both to obtain the capital required for his work and to organise for his produce a market by which the risk of loss may be minimised; but

the working consumer refuses his assistance except upon conditions which make it useless for the purpose of bettering the position of the producer, and useful only in guaranteeing the quality of the things produced. How can this great danger be averted? In other words, How can we overcome the indifference of the masses to that employment of capital which is indispensable to the improvement of their position, without attempting the impracticable task of supplying them with the fruit before the tree is grown?

There appear to be two possible ways to this end—one inward and the other outward; the second dependent on the first.

By unwearied persevering appeals to the principle of unity it may be possible to diffuse among men more generally the feeling that a life of perpetual struggle after objects which perish in the using must be petty, ignoble, and unsatisfying; but that life may become great and noble if it is brought into constant harmony with that Divine spirit which dwells in those who are animated by love to their fellow-men. By the appeal to reason and experience it may at the same time be possible to spread the conviction that only by means of institutions suitable to the exercise of this spirit can it become a pervading influence in the ordinary lives of ordinary men. The problems of social reform depend for their solution upon the joint operation of both these principles. Without the last men cannot see what to do; without the first they cannot obtain the strength to do what they have learned to see should be done. That the work of diffusing this double conviction will be easy, I do not say. But there is in the ruling tendency of the present age—its scientific spirit—a characteristic which may make this work easier.

Man has always been urged by the demands of his spiritual being to seek for certainty—for that which may be surely known and relied on. But throughout vast regions and during long ages he has sought this reliable

knowledge in affirmations about unseen worlds, where no testimony of sense exists to qualify the assertions of his imagination; whence he could assign to these imaginary creations qualities of grandeur and permanence, capacity of conferring infinite happiness or unending pain, before which earth, with its transitory joys and sorrows, necessarily fades into insignificance. European life has been no exception to this disposition. On the contrary, in what we call the Middle Ages it exercised over all European thought the profoundest influence, as anyone may realise who will read the *Divina Commedia* of Dante, and remember that the universe depicted there is the universe in which Dante and his contemporaries firmly believed. In Europe, then, no less than in Asia, among Brahmins, Buddhists, or Mahometans, the all-important inquiry with those who rose above slavery to animal passions was, What shall I do to attain the infinite joys or escape the infinite pains of this true reality—the lasting existence which is to succeed my present fugitive being? The peculiarity of the Christian answer, on which my hopes for the future of mankind rest, has been that it always included the position, You must strive to become in spirit like that Divine Being of whom the Gospel tells us. Hence arose, as is observed in the first chapter of this manual, those countless works of benevolence by which the nations professedly Christian have been and are distinguished from all other nations of whose history we have any record. Hence must come, according to my conviction, that persevering determination to work out the deliverance of mankind from the evils produced by competitive selfishness, which constitutes the ideal of co-operation. The moral strength required to do this work thoroughly must, in my judgment, be derived from that faith in the manifestation of the Divine, from which the good works of the Christian world have either directly proceeded, or to which they may be traced through the indirect influence of the mental atmosphere which this faith has created. But for the direction of

this moral force to work out the collective benefit of mankind, we shall be indebted, I conceive, mainly, to the results of modern scientific research.

This scientific thought desires to attain certainty as ardently as the thought of any previous age. But it has laid down as a maxim not to be questioned that certainty can be attained only through the verification of the ideal by the real; only in proportion to our power of testing what we imagine by what we can observe, training ourselves up to the difficult task of explaining what is, instead of launching out into the free construction of what we only suppose to be. It is clear that to such a disposition the invisible world of the Middle Ages, instead of being, as it was to the thinkers of those ages, the true reality, must become unreal and worthless. It is a matter about which the scientific thinker can have no inclination to busy himself, since his researches have destroyed the only motive that could have led him to pay attention to affirmations which he cannot test—the conviction that those who made them had access to some source of knowledge denied to himself,—for these researches have proved to him that those who made the assertions were entirely ignorant of the constitution of the world in which they actually lived. Astronomy and geology, to say nothing of other sciences, have swept away the universe of the *Divina Commedia*. "It lives no longer in the faith of reason." How is it possible for the scientific thinker to place any confidence in affirmations about an invisible world made by men who can be proved to have been entirely mistaken in what they affirmed about the visible world? Necessarily the scientific thinker must dismiss the whole subject from his mind, and concentrate his thoughts upon that about which alone he has the hope of attaining to any certainty—the earth and the universe in which it has a place.

But does it, therefore, follow that the tendencies of scientific thought are only "of the earth earthy." By no means. It is the object of the scientific inquirer to apprehend the

universe in which he finds himself as it is; to trace back its phenomena to the powers that actually underlie them, of which they are really the expression. If, as is maintained in these pages, the human race, as it is certainly the latest stage of an enormous series of developments, so is also that form of individual being in which the universal life returns, so to speak, into itself, by the voluntary act of the individual will, merging the animal desire for selfish gratification in an unselfish desire for the general good, we must expect that the patient and honest search after the key to the series, will lead the searchers to this true solution of their investigations. And as might be anticipated so it has been. From various thinkers who take their stand on the scientific basis, refusing to listen to the voice of any master but that of their own reason, dealing with the materials given her by observation—thinkers who must be classed among the most fearless assailants of traditional beliefs—comes the concurrent testimony that in the negation of selfishness, in altruism, in the placing our own good not in what we receive from others, but in what we can do for them, lies the true welfare of man, individually as well as collectively; his real work upon earth; the true end* of his being. How is he to attain this end, to do this work, to grasp this well-being? Can any other answer be given bearing even a show of probability than this—by union, in order to make the enormous and yet constantly increasing command over natural forces now possessed by men, productive to the whole body of mankind of the greatest attainable amount of those advantages which the earth can offer to them; while through this same principle of union, the external element may become the nursery and training school of those noble inner qualities, whose growth the present competitive struggle for individual possession tends to stifle.

I have noticed the change in mediæval modes of conception made by modern science, in the extent to which it turns

**Telos*, in the language of Greek philosophy.

men's thoughts away from the world not manifested to our senses to fix them on that which is thus manifested. Let me observe also that, in so doing, scientific thought really brings us back to that mode of thought by which the Bible, Old and New Testament alike, is pervaded, though, no doubt, with the modifications, belonging to the difference between our conception, that the Divine action, or what we call nature, is essentially unchanging under all circumstances, and the Biblical conception, that it changes as human action does, according to circumstances. The Bible is full from beginning to end of the deepest trust in the unseen presence with man of that great Being, to whose will it traces all phenomena. But this will is, according to the Bible, a will to be realised on earth. The Jewish prophets look forward, with ever-brightening hope, to the glories of the reign of the Messiah. But this reign is to have its seat at Jerusalem, whence its blessings are to flow over all nations. The New Testament takes up the same strain. The Lord's Prayer calls on us to hope, and desire that the will of God be done on *earth as* in heaven. The Apocalypse, after a preliminary thousand years' reign of the saints, preceding the final struggle of evil against good, brings down the Heavenly Jerusalem, the Temple of the living God, to earth, among the nations, for whose "healing" the "leaves" of the trees which grow along the banks of the river of life flowing from the Divine throne are destined.* Looking, as I do, upon the whole development of existence upon earth, crowned by the history of man, as the continuous manifestation of the Eternal Invisible Power, who would lead men to that co-working with Himself in which alone their activity will find entire satisfaction, I cannot but consider this earthward track of science, as destined to bring piety back to the sphere of Biblical thoughts and aspirations, and teach it to find its abiding reward in earnest efforts to spread the

* Revelations xxii., 2.

kingdom of God over the earth, by creating such conditions of human life, as good men can feel to be worthy of this kingdom; the fit expression of the spirit of Him whose name is Love. How they might realise these conditions, and that in a very few years, if only they will, these pages have endeavoured to show. May they help to forward that great consummation by showing to the will a practicable way.

2. This is the internal road to association on which the external road necessarily depends. For, unquestionably, the outward must grow out of the inward; the will to act must precede the action; and the will to work with persevering energy for the creation of a truly Messianic condition on earth, must be determined to undertake this work by the conviction that such a condition can be realised. But assuming that this inner power is brought into persevering activity among a body of men numerous enough to make their action perceptible, there would come into play a second force, not to be despised, which I have called the external road to association, namely—the help given to the progress of the idea by those who never would have originated it, who have, strictly speaking, no faith in it; men who aid it only because it aids them, and whose conduct is, in truth, an illustration of the saying, "Nothing succeeds like success." What M. Leclaire has done at Paris, what M. Godin did, and what is still doing at Guise, illustrate this position. Men's minds, for the most part, resemble soil; they respond to skilful cultivation. This is the truth that Robert Owen laid hold of, and embodied in his doctrine of men's characters being formed by circumstances, which at New Lanark, where he really did mould these circumstances in a great measure after his own ideas, produced marvellous results; failing afterwards, because, in fact, while he talked about controlling circumstances they controlled him, and made, if not himself, yet at least his institutions, illustrate his own theory. The house painters, says Mr. Sedley Taylor, in an interesting article on M. Leclaire's

work, in the *Nineteenth Century* for September, 1880,* were, "when Leclaire commenced his efforts on their behalf, notoriously the most dilatory, intemperate, debauched, and intractable workmen in Paris. *Now*, the members of the Noyeau† are greatly in request among architects, from their exceptional possession of precisely the opposite qualities."

The experience of the Familistère at Guise, often alluded to in these pages as to the effect of the system of association introduced there upon the very miscellaneous body of workers, drawn from all parts of France to obtain employment in the foundry connected with that establishment, is not less gratifying. It is an evidence of the beneficent influence exercised by the habits of associated life upon the characters of those who come under its influence, though they retain a freedom of individual action as complete as they could have in the isolated life of separate homes. The result of these experiences justifies the affirmation that association well conducted by those who comprehend its possibilities, and avail themselves of the lessons offered by institutions such as those of MM. Leclaire and Godin,‡ will gradually produce among the mass who come under its influence that subordination of selfish desires to a common end, without which the high aims belonging to co-operative effort, contemplated from the point of view taken in this work, must be unattainable.

Associated work and life will thus create around itself the atmosphere requisite for its own extension. Though few may attain to that absorption of the individual in his work

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*p. 382.

† Then comprising 122 workers, chosen by election of their fellow-workmen.

‡ A full statement of M. Godin's plans is given in his "*Mutualité Sociale*," containing the regulations of the association which is now the proprietor of the Familistère and the foundry connected with it. A description of the Familistère, principally taken from M. Godin's earlier works, "*Solutions Sociales*," and "*La Richesse au Service du Peuple*," will be found in a tract on "Associated Homes," published by the Central Board.

which complete unity of the human will with the Divine appears to imply, and reap the blessings attending it, many will more or less partake of these blessings.*

To this operation I look as the secret of the general diffusion of associated life which I anticipate. It may spread originally more from its physical than its moral benefits; because the masses will find, in association, the way of general access to advantages which, in the isolated life of competitive society, are necessarily the portion of comparatively a few. But it will maintain itself permanently, because those who live under its sway will find in it an influence which, checking the growth of the "thorns and thistles," and favouring that of the "good seed," will enable the latter to spring up abundantly, and bring forth the rich fruit of well-being, external and internal, collective and individual, for the blessing of mankind.

To sum up what has been here argued, co-operation, regarded as a system of social reform, has two great perils, on either of which it may be wrecked.

1. The impatience of the masses for some form of society less oppressive to them than the system of industry based on competitive struggles must be, may lead them to waste their energies in vain attempts at reaching this better state by a

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* If we examine the common causes of mental unhappiness, I think we shall find that it mainly arises from men allowing their minds to be diverted from that which they seek to do, to something which they hope to enjoy, or perhaps have enjoyed and lost; and that the more entirely we can busy ourselves only about our own acts and their direct effects, and cease to care about their reaction on ourselves, the more lasting and thorough peace we shall attain. For this is in truth "the meek and lowly spirit" which can give "rest to our souls."—Matt. xi., 21, 29.

Asceticism endeavours to attain the peace belonging to a mind occupied with its acts and not with their results by directing its action to God alone. But to suppose that we become conformed to the will of the Great Worker by withdrawing from work, seems to me, apart from the impossibility of its general application, to be thoroughly illogical.

The true means of preserving our activity as workers, while we cease to think of the effect of the work on ourselves would, I conceive, be to carry on work in a complete system of association, where we may always feel that we are working for the body, which assigns to us individually a share of the proceeds proportioned to our work, without requiring us to scramble for it. Hence arises the great value of associated life to our spiritual well-being.

short cut, through the mere will of the greater number, expressed in political or social changes.

2. Indifference may stifle, or scepticism paralyse the attempt to build up this better state by higher forms of social institutions freely developed.

The way of escape from both dangers is really the same, namely—to persuade men into choosing this better way by clearly pointing out where it lies; showing the facilities which existing circumstances offer for entering upon it; and the clear indications on many sides of the success that must follow the attempt if it is made wisely and perseveringly.

Let me conclude these remarks by briefly retracing the great lines of this course.

The hope of permanently and effectually raising the condition of the mass of the population by co-operative action depends—

1. Upon so carrying on production that its profits, after paying the charges of capital, shall be applied for the benefit of those whose work creates them;

2. Upon so using these profits that they shall secure the workers and their families against the destitution liable to overtake them when isolated, from the contingencies of human life, and shall place within their reach, by association, the advantages which, in a competitive society, must be the exclusive privilege of wealth.

To attain these ends there is only one practicable road, namely—the use of the accumulated labour called capital to create the conditions of existence required for lifting up those whose present labour makes that capital productive of enjoyment to its owners. How can the capital required be obtained?

There are only two possible methods. 1. The use of the capital accumulated already. 2. The use of the fresh capital which is perpetually being accumulated through the operations of industry.

Now of these two methods the second is the one which appears most hopeful. The capital already accumulated, or

in continual course of accumulation through the savings of income, will flow in fast enough to give extension to co-operative enterprise so soon as that enterprise establishes for itself the character of solid security, to offer which lies within its reach. The experience of the people's banks in Germany and elsewhere abundantly proves this. But until co-operative enterprise does offer such security, the aid to be looked for from this accumulated capital will, I fear, be rarely forthcoming and scanty when it is offered.* It is otherwise with the capital in the process of creation.

In many quarters an earnest desire appears to be springing up among our modern captains of industry to make the wealth produced under their leadership conducive to the moral and physical elevation of those whom they lead to these peaceful triumphs of labour. The remarkable instances of this disposition offered by the institutions founded by MM. Leclaire and Godin, often referred to in these pages, are the most striking, but by no means isolated cases in recent years of what those who are rolling up capital out of work have been able and willing to do for the benefit of the workers, through whose assistance it is rolled up. I trust that a not remote future has in store for us an ever increasing number of such examples.

Alongside of these must be placed the efforts of bodies of working men to raise their own position by associated work. These, if the idea of the method through which the profits of this work can be made really useful for that end can obtain a firm hold on the minds of the workers, may in time become a very powerful influence in their social elevation. But I fear that at present such unions, even when they succeed commercially, will rarely produce the effect that might result from them, because the profits on their work will be usually dissipated in inconsiderable additions to the incomes of the workers, and will not be systematically employed as

* This is an old experience. Compare Matt. xix., v. 23; and Luke xviii., v. 23.

they have been by M. Godin to create for them generally better conditions of life.

But in each of these methods of dealing with the great social problems we must wait for the "hour and the man." By neither method can we command them. Not so with co-operative production, if it be systematically conducted as the fruit of co-operative distribution. Here it is within the power of any considerable body of men to create, without loss to themselves, the capital required for production, out of the savings on their own consumption, merely by associating to supply themselves and accumulating the gains; while by the same operation they produce the conditions proper for securing the advantageous employment of that capital, by utilising their own consumption of manufactured articles, in introducing the manufactures which by the use of this capital they may set up.*

Now, suppose these centres of production to be formed on such a scheme as M. Godin carried out at Guise, they would have over the existing centres the advantages—

(1) That the workers being directly interested in the profits of their work, would be likely to work with an energy and economy which cannot be expected from those who have no interest but in their wages:

(2) That the best workers would be attracted to establishments where their work secured to them advantages much beyond what they could procure elsewhere:

* I may observe that this is a peculiarity of the form taken by co-operation in Great Britain, whence it offers a more direct passage to a higher social state than does its great rival, the people's banks of Germany and other foreign countries. These banks have been quite as effective in increasing the incomes of the poorer classes and enabling them to accumulate capital as our distributive societies have been. They have been far more effective in producing unions for productive purposes than our societies. The Annual Report for the year ending 31st December, 1886, enumerates 202 such associations, 130 manufacturing, and 72 agricultural. But the banks do not facilitate the formation of these societies by serving as depôts for the sale of their produce as our distributive societies may do. To develop co-operative production out of the people's banks intermediate institutions in the nature of unions for consumption are needed, and are indeed beginning to multiply, though still holding only a secondary place. The Report mentions 642, against 1,866 banks.

(3) That the consumers, supplying the capital through which the work was carried on, would be able to secure also that the articles produced were always what they professed to be, and were sold to them at reasonable prices.

Hence the manufactures might reasonably be expected to prosper; and if they prospered the principle of association out of which they arose might be applied to ensure their expansion, by giving to capital that sense of security which in our age and country will command any amount of it needed for investment in the enterprises which give this security. So that the plan, beginning with capital in course of accumulation, would end by drawing in that already accumulated.

Here then, I say, is a systematic scheme of action by which any body of consumers whose consumption of any particular article would enable them to support a factory for its production, and thus ensure for these products the economical advantages belonging to industry carried on upon the large scale of modern manufacture might, without risk to themselves, raise the condition of bodies of workers by their own help; through institutions which would make the incomes of these workers as productive to them of material advantage as they could be made; while they favoured the growth of those moral qualities, without which these material advantages would add little to their well-being. Successfully carried out in a few instances, the plan would find an indefinite power of growth in its application to the enormous mass of wealth annually produced by our active population, till, by degrees, the whole body of the people came under its beneficent influence, and capital and labour celebrated their permanent reconciliation in the general prosperity. Surely, even if the workers of Great Britain are too short-sighted to inaugurate this method for their own emancipation, the wealth and benevolence of Great Britain will not allow so easy a means of introducing so promising a remedy for our many social evils to remain untried.

APPENDIX.

I.—Note to Page 19.

FRIENDLY SOCIETIES AND THEIR INFLUENCE IN THE UNITED KINGDOM.

I quote from a letter by the present Chief Registrar of these societies the following observations, which are, I think, both new and very valuable:—

"What I most miss in your section as to the relation of co-operation to other philanthropic movements is—what probably not half a dozen other men in the British Empire would miss like myself. Since I have been at this office I have been compelled to look at the different forms of societies in their mutual relations, and see that the friendly society is the common stock out of which all have sprung, and without which, for instance, neither co-operation nor trade-unionism can really be understood. Spreading throughout the length and breadth of the country, to every trade and occupation, the humdrum friendly society has been *the* school of social self-government for our working class. It has not only supplied the machinery in the first instance for the building society, the co-operative society, the trade union, it has supplied the free spirit and the tendency to federation. France and Germany supply instances of the same influence differently exerted. In France the *Societé de Secours Mutuels*, although a distinct entity, is perpetually interfered with by the State, now petted, now punished. So French Socialism always looks for State help. In Germany the self-governing friendly society scarcely exists, its place is taken by the Government insurance of the *Zwangs-Kasse*. Hence German social democracy, which thinks only of acting through the State, and pooh-poohs as well trade-unionism as free co-operation."

The following table, compiled from the Registrar's Reports for 1875 to 1878, illustrates the extent to which this form of self-help by mutual insurance prevails in the United Kingdom*:—

ENGLAND, WALES, CHANNEL ISLANDS, AND ISLE OF MAN.

Years.	Forms Issued.	Returns Received.	Number of Members.	Amount of Funds.
				£
1875	26,087	11,282	3,404,187	9,336,948
1876*	25,234	12,338	4,367,772	10,226,883
1877*	24,409	12,270	4,608,794	11,109,571
1878	24,137	12,300	4,692,175	12,148,609

* These returns include cattle insurance, benevolent societies, working men's clubs, and specially authorised societies; in 1876, 88; in 1877, 137; and in 1878, 114.

SCOTLAND.

Years.	Forms Issued.	Returns Received.	Number of Members.	Amount of Funds.
				£
1875	835	442	554,551	548,805
1876	834	485	563,463	587,630
1877	753	543	618,416	702,962
1878	753	550	569,275	667,366

IRELAND.

1875	470	318	72,229	123,869
1876	486	339	87,726	124,710
1877	540	312	38,114	87,018
1878	503	331	42,551	151,824

IN ENGLAND AND WALES:

Building Societies under the Act of 1874, Loan Societies, and Trade Unions show the following results in the latest returns:—

Societies.	Year.	Number of Societies.	Number of Returns.	Number of Members.	Amount of Funds.
					£
Building..	1878	987	830	269,400	28,228,153
Loan	1879	380	387	33,520	122,160
Trades...	1878	177	124	202,984	309,223

2.—Note to Page 33.

FERDINAND LASSALLE AND GERMAN SOCIALISM.

I take from an able article in the number of the *Contemporary Review* for June, 1881, by Mr. John Rae, the following account of the life and theory of Ferdinand Lassalle, who, says Mr. Rae, "first really brought Socialism from the clouds, and made it a living historical force in the common politics of the day," thus giving it a character at once the source of its apparent strength and its real weakness.

Lassalle combined with almost equal intensity the capacity for, and impulse to, profound study and exciting action. He was at once a profound philosophical thinker, a fearless political agitator, and a fashionable dandy, noted for his dress, his dinners, and his addiction to pleasure. A sketch of his life is almost indispensable to the appreciation of the social philosophy of a man on whose tomb is inscribed the epitaph "Thinker and Fighter."

Ferdinand Lassalle was born in 1825, at Breslau, and was the son of a wealthy Jewish wholesale merchant. In 1842 he went to the University of Berlin, then full of revolutionary theories, resting on the celebrated philosophical system of Hegel, of which Lassalle became an ardent disciple, sharing, no doubt in the belief very common among its adherents, that they had the key to all the mysteries of existence. He had intended to follow the career of a teacher of philosophy at Berlin, but was diverted from this design by his sympathy for the wrongs of a lady, the Countess Hatzfeld, who, married at the age of sixteen to a great German noble, had for twenty years been subjected to cruel persecution by her husband, without being able to obtain the aid of her own relations in escaping from him. Lassalle, though not a lawyer, undertook her case, which he is stated to have carried before thirty-six different courts; till, in 1851, he obtained for her a divorce, and in 1854 a princely fortune, out of which she gave him a considerable annuity for life. In the meantime, in 1849, he had been tried for treason, in urging the citizens of Dusseldorf to refuse the payment of taxes, after the forcible dissolution of the Prussian National Assembly in 1848; and though acquitted by the jury, he was imprisoned for six months by the police magistrates, on a charge of resisting the police officers, and forbidden to come to Berlin. Thus shut out from his intended career as teacher, he threw himself with the more ardour into study, and in 1857 produced the work which founded his philosophical reputation, his commentary on the writings of Heraclitus, a Greek philosopher, surnamed "the Dark," from the obscurity of his utterances. The reputation procured for him by this work emboldened him to come to Berlin, where he gained admission under the disguise of a waggoner, and was allowed to remain, through the personal intercession with the King of Alexander von Humbolt, who had known Lassalle from his boyhood, and greatly admired his abilities.* Literary work, including a satirical commentary on Julius Schmidt's "History of German Literature," which created much attention and amusement on its publication, occupied him for the next five years, during which he was engaged also in controversy with Dr. Schulze-Delitzsch. In 1862 he was again prosecuted by the Government, and imprisoned for the opinions put forth in a lecture on "The Connection between the Present Epoch of History and the Idea of the Working Class;" and, as a result of these proceedings, threw himself into the socio-political agitation, which, for the reasons to be stated presently, he regarded as the gate leading to social reform. To open this gate by convincing the population of the importance of opening it, became thenceforth his main object. For this purpose he founded, in May, 1863, the General Working Men's Association for the Promotion of Universal Suffrage; and, in aid of this association, says Mr. Rae, "he passed from place to place delivering speeches, establishing branches—he started newspapers, wrote pamphlets and even larger works, published tracts by Rodbertus, songs by Herwegh, romances by Von Schwizer; but it was up-hill work." Lassalle hoped to obtain a membership of 100,000, without which, he said,

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called him a *wunder kind* (a marvellous child).

nothing could be done. But in August, 1863, he had enrolled only 1,000, and at his death, twelve months later, "after another year's hard work," the numbers had risen only to 4,610. They increased afterwards much more rapidly, partly from the interest aroused by the romance connected with his death; partly, it is stated, from a delusion not very creditable either to the intelligence of the German population or the honesty of their social leaders, that Lassalle was not dead, but only translated to a higher and surer leadership. A Lassalle cultus was instituted and kept up by periodical celebrations down at least to the anti-Socialist law of 1878. B. Becker, Lassalle's successor in the presidency of the association, states that many working men believed that Lassalle had died for them, and would come again to save them. The real manner of his death was this. He had fallen in love with Helena, the daughter of Herr von Donningsen, the Bavarian envoy at Berlin, "the courtliest of the courtly, a conservative seven times refined." Helena returned Lassalle's passion, and in August, 1864, met Lassalle on the Righi, and arranged that he should come to Geneva, where her father then lived, to press his suit in person. He came, but the parents refused to see him, and the young lady, in despair, fled from her father's house and urged him to elope with her. Lassalle calmly led her back to her home, probably, says Mr. Rae, from the belief "that he would be able to talk the parents round, if he got the chance, and the desire to try constitutional means before resorting to revolutionary. Helena was locked in her room for days, alone, with her excited brain and panting heart. For days father, mother, sister, brother, all came and laid before her what ruin she was bringing on her family for a mere selfish whim of her own. If she married a man so objectionable to people in power, her father would be obliged to resign his post; her brother could never look for one; and her sister, who had just been engaged to a count, would have, of course, to give up her engagement." Helena was in despair, but ultimately submitted to marry a young Wallachian Boyar, Herr von Racovitza, to whom she had been previously engaged, and whom she liked and respected without loving him as she loved Lassalle; and this she told, with a request that Lassalle's suit might be no more urged, to two of his friends who obtained an interview with her in the presence of her father. Lassalle, in the meantime, had worked himself up into a fury of excitement in efforts to prevent the marriage, and though he always held that a democrat should not fight duels, and had got Robespierre's stick as a present for having declined one, challenged both the father and the bridegroom. "The latter accepted. The duel was fought; Lassalle was fatally wounded, and died two days after on the 31st August, 1864, at the age of 39. Helena married Herr von Racovitza shortly afterwards; but he was already seized with consumption, and she, as she says, found great comfort, after the tumult and excitement of the Lassalle episode, in nursing her husband during the few months that he lived after this marriage."

Such was the life of Lassalle. His system is contained mainly in the lecture above-mentioned, and in a work published at Berlin in 1864, called "Mr. Bastiat Schulze von Delitzsch, the Economistical Julian; or, Capital and

Labour."* It is, according to the account given of it by Mr. Rae, a battle against Ricardo, whom he describes as the last and most representative development of *bourgeois* economy, fought with Ricardo's own weapons, and on Ricardo's own ground.

Ricardo has laid down that the value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour, mental and manual, necessary for its production, which must be measured by the time consumed in that labour. This reduction of value to quantity of time, Lassalle considered to be the one great merit of the school of economists represented by Ricardo. But he gave it an extension not contemplated by them. Ricardo confined his theory to commodities admitting of indefinite multiplication, so that their value is not affected by their scarcity, and to their normal value independently of the fluctuations of market price. Lassalle sought to apply the principle to these cases, also, by the argument that this value was constituted, not by labour pure and simple, but by labour modified by the general condition of society—powers of production—rarity—demand depending on social necessity—which, as they have not been created by any one in particular, should not be permitted to benefit any one in particular. Hence he concluded that so far as the problem of the distribution of value goes, the one factor which needs to be taken into account is only labour. All value comes from it, represents so much time of labour, is in fact so much "labour jelly," so much preserved labour. But while this full value is simply the sweat, brain, and sinew of the labourer, incorporated in the product, the mass of labourers, whatever they produce, earn only the same wages—bare subsistence. The labourer who, according to the previous argument, is entitled to everything, actually gets, on the economist's own showing, just enough to keep body and soul together, and on the present system can never get any more. The value of labour, says Ricardo, like the value of everything else, is determined by the cost of its production, that is the cost of the labourer's subsistence, according to the standard of living customary among his class at the time. Wages may rise for a while above this level, or fall below it, but they always tend to return again to it, and cannot permanently settle anywhere else. When they are higher, the labouring class are encouraged by their increased prosperity to marry, and eventually their numbers multiply, so that by the force of ordinary competition the rate of wages is brought down again. When they fall lower, marriages diminish, and mortality increases among the working classes, till their numbers are so reduced that the rate of wages rises again to its old level. This is the economical law of natural, or necessary wages, "the iron and cruel law," which, said Lassalle, absolutely prohibited all wage labourers—that is, 96 per cent of the population—from the possibility of ever improving their condition, or benefiting from the growing productivity of their work. This law converted industrial freedom into an aggravated slavery. The labourer was sent like a commodity, to be bought in the cheapest market, and there deprived by the force of

* Herr Bastiat Schulze von Delitzsch *der Ökonomische Julian oder Capital und Arbeit.*

competition of the value of the property which his own hands had made. His property is given over to a stranger.*

How was this evil to be removed? The answer of Lassalle is, by the abolition of the commercial system of which this injustice constitutes the essence. The question can be solved only by a socialistic reconstruction which shall make of the instruments of production collective property, and subordinate capital to labour; the solution will, of course, be the work of generations, but the easiest mode of transition from the old state of things to the new, lies in establishing productive associations of working men on State credit. They would form the living seed corn of the new era. Lassalle did not assume that the State should introduce a new organisation of labour all at once, or that it should make its advances gratuitously. They were to be made to such associations only as appeared to rest on a sound basis, and at ordinary commercial interest. The State, he argued, would really run no risk of loss, since the associations in the same trade would not cut each other's throats, as, in fact, there would be only one in each town; and, besides, they would establish a mutual insurance against loss, trade by trade; while they would lead to an increase of production, without which Lassalle admitted that his scheme would not be economically justifiable, because "an increase of production is an indispensable condition of every improvement of the social state." This increase would be effected, he alleged, by the saving of loss through abolishing local competition, doing away with middle-men and private capitalists, and better adapting production to needs. The business books of the associations would form the basis of trustworthy commercial statistics, so requisite for the purpose of avoiding over production. And the change would improve the character of production, by substituting in place of the taste of the *bourgeois* for the cheap and nasty, the sounder taste of the working class for the substantial and beautiful.

Such was Lassalle's system. To introduce it, he said that he asked of the State "not so much help as a whole hand, but only that of a little finger." Still, as he had no hope of inducing the German States, as they were then constituted, to put out this little finger, he threw himself into the political agitation, described above, for obtaining universal suffrage, and thus giving to that 96 per cent of the population, in whose behalf he claimed to act, the power of inducing the State to stretch out at least its little finger in the required direction. A large part of Mr. Rae's interesting article is devoted to a statement of the arguments by which Lassalle justified this political agitation, or supported the proposition that the time for the advent of the working population to political power had arrived in the necessary course of the evolution of humanity; and that it would not be attended by the evils which had accompanied the advent of the *bourgeois* class to power through the French Revolution of 1789 and its consequences. From the point of view taken in this work, Lassalle's system is open to the criticism that it asks the State to do what it should be asked only

* *Das Eigenthum ist Frendthum geworden.*

to give facilities for the doing, and to affirm when it is done. The People's Banks, set on foot by Dr. Schulze-Delitzsch, may be admitted to be as ineffective for radically reforming social evils, as Lassalle maintained that they were, and as our distributive societies would be, if co-operation is to stop at them; but not the less do they embody the true principle on which alone a permanent social reform can be introduced—the principle of voluntary union, for a self-help which is not selfish help. Not the less do they indicate the true method on which this unselfish self-help must set about its work, namely, by accumulating a collective fund, by whose wise use the worker may convert capital from the master of labour into its servant. Only the guarantee against loss which such funds would create, could justify the appropriation of the credit of the State, which necessarily rests on the incomes of *all* the members, for the purpose of aiding part of them, as Lassalle proposed. While, if by such unions, the requisite guarantees were provided, the use of the State credit would become unnecessary; because the ever-accumulating private capital which is always looking out for safe investments producing a somewhat higher rate of interest than can be got from the State, would flow in spontaneously to supply the wants of the co-operators, as it has done on the German banks, and tends to do on our distributive societies. On the other hand, experience has abundantly shown, that no application of money is more liable to abuse than that of grants out of the public purse for private purposes, which are almost certain to get into the hands of precisely those persons who are the least likely to make a good use of them. So that, however effective the polemic of Lassalle was in stirring up the masses by its powerful description of the effect on the working population of the modern commercial competition; and however fascinating the notion of gliding into a better condition, without the trouble of self-sacrifice, by the magic of credit voted by universal suffrage; yet the system of Lassalle, if it ever got tried, would in all probability impede the progress of social reform, instead of helping it, by blocking up the road with a mass of ruins. The rosy light of imagination may clothe the State-born associations with an ideal perfection, in which the protean shapes of selfishness disappear. But in the actual world they would crowd in to convert to their own purposes what was, in truth, a creation of their own spirit.

3.—Note to Page 48.

AGRICULTURAL POPULATION OF FRANCE.

It is not easy to ascertain accurately the number of landed proprietors. The "*Statistique Generale de la France*" gives as the result of the census of 1876:—

	Number.	Per cent.
Proprietors cultivating their own lands....	10,620,000	.. 55·99
Farmers, Cultivators, and Metayers	5,708,000	.. 30·09
Vinedressers, Woodmen, and Gardeners ..	2,639,000	.. 13·91
Total.....	18,967,000	.. 99·99

But these numbers include the members of their families. M. A. Le Roy l'eaulieu, following Mr. G. de Lavergne, estimates the families thus:—

Independent Proprietors living on their own lands	2,000,000
Farmers and Metayers	1,000,000
Workmen living on wages, but who also are generally proprietors	2,000,000

—*Revue des Deux Mondes*, 1879, vol. 30, "*Socialisme Agraire.*"

4.—Note to Page 90.

LIST OF CORN MILLS,

Taken from the Registrar's Returns for 1886.

The societies in this list confine themselves to supplying flour. Several not included in the list deal in flour and provisions; others, such as the Carlisle, Cleator Moor, Crook, Leigh Friendly, Leeds, and Lincoln, grind flour for their own members.

C means Co-operative; Cn, Corn; and M, Mill.

Society, Name, and Address.	Business, 1886.		
	Sales.	Net Profits.	Capital, Share and Loan.
	£	£	£
Devonshire—			
Devonport Union	3,843	328	3,318
Durham—			
Derwent C. Cn. M., Shotley Bridge	77,571	813	19,649
Kent—			
Sheerness Economical, 2, Broad-street, Mile End, Sheerness	22,857	1,801	9,412
Lancashire—			
Rochdale C. Cn. M., Weir-street, Rochdale ...	167,657	372	95,320
Star C. Cn. Millers, Star Cn. M., Oldham.....	153,914	—	65,663
Yorkshire—			
Easingwold Union Steam Flour M., Easingwold	5,945	19	1,133
Halifax Flour, Bailey Hall M., Halifax	193,349	8,205	122,878
Hull Anti-M., 31, Scale-lane, Hull	31,016	676	12,895
,, Subscription M., 3, George-street, Hull...	4,664	78	3,568
Northallerton Provident Cn. M., Northallerton	7,091	362	1,615
Sowerby Bridge United District Flour, Union-street, Sowerby Bridge	344,569	20,047	104,554

5.—Note to Page 96.

A BIRD'S-EYE VIEW OF CO-OPERATION IN ENGLAND, IRELAND, SCOTLAND, AND WALES, FROM 1861 TO 1887.

Compiled by H. R. Bailey, Newcastle-on-Tyne.

	Societies making Returns	Members.	Share Capital.	Loan Capital.	Trade.	Profit.
1861	.....	48,184	£333,290	.....	£1,512,117	.....
1862	450	91,502	310,731	£54,452	2,349,055	£166,302
1863	460	108,588	573,582	73,543	2,626,741	213,623
1864	505	129,429	684,182	89,122	2,836,606	224,460
1865	867	148,586	819,367	107,263	3,373,847	279,226
1866	915	174,993	1,046,310	118,023	4,462,676	372,307
1867	1,052	171,897	1,475,199	136,734	6,001,153	398,578
1868	1,242	208,738	2,027,776	184,163	8,113,072	425,542
*1869	1,300	220,000	2,000,000	190,000	8,100,000	500,000
1870	1,375	249,113	2,034,261	197,128	8,202,466	555,435
1871	746	262,188	2,305,951	215,553	9,437,471	670,721
1872	748	300,931	2,785,777	344,509	11,388,590	807,748
1873	980	387,701	3,512,962	497,750	15,662,453	1,119,023
1874	1,026	411,252	3,903,608	586,972	16,358,278	1,226,010
1875	1,163	479,284	4,700,990	844,620	16,088,077	1,425,267
1876	1,165	507,857	5,304,019	919,762	19,909,699	1,741,238
1877	1,144	528,582	5,487,959	1,073,265	21,374,013	1,900,161
1878	1,181	560,703	5,730,218	872,686	21,128,316	1,817,943
1879	1,169	573,084	5,747,841	1,495,243	20,365,602	1,949,514
1880	1,183	604,063	6,232,093	1,341,290	23,248,314	1,579,873
1881	1,230	642,783	6,937,284	1,483,583	24,926,005	1,979,576
1882	1,145	654,038	7,289,359	1,463,959	26,573,551	2,106,958
1883	1,165	681,691	7,500,835	1,538,544	28,089,310	2,324,031
1884	1,264	849,615	8,205,073	1,717,050	29,295,227	2,658,646
1885	1,288	803,747	8,799,753	1,827,109	29,882,679	2,883,761
1886	1,296	835,200	9,297,506	1,999,658	31,253,757	2,966,343
					£392,559,075	£32,297,286

*No Return published in 1869; these figures are an estimated amount.

A SUMMARY FOR ALL THE SECTIONS.

NAME OF SECTION.	No. of Societies.	No. of Members at end of 1887.	LIABILITIES.			ASSETS.				TRADE.		PROFITS.					
			Share Capital at end of 1887.	Loan Capital at end of 1887.	Reserve Fund at end of 1887.	Value of Saleable Stock at end of 1887.	Value of Land, Bldngs. & Fixed Stk. at end of 1887.	Allowed for Depreciation during 1887.	Investments at end of 1887.	Received for Goods Sold during 1887.	Trade Charges during 1887.	Total Net Profit made during 1887.	Applied for Educational purposes during 1887.	Applied for Charitable purposes, 1887.	Subscription to Central Board.		
			£	£	£	£	£	£	£	£	£	£	£	£	£	s.	d.
MIDLAND	211	78983	586380	94578	27915	237588	371329	11885	166195	1556454	57776	135239	1067	452	333	18	9
NORTHERN	149	126846	1083075	84019	43316	396812	451181	23727	437432	4003435	165703	550748	1904	2330	591	12	4
N.-WESTRN	475	437875	6204091	1182222	240017	2091114	2683267	124284	2820294	18085331	615538	1611748	16135	3228	1853	13	8
SCOTTISH	314	145043	936635	623562	75101	680251	548271	23124	592827	6027784	191503	627851	1609	1190	446	16	3
SOUTHERN	211	123823	960308	141024	75331	654039	533128	18162	151764	3849035	60564	194365	1665	738	438	13	0
WESTERN	72	33049	241559	9485	14242	105535	82374	3536	85154	667676	29828	73227	649	220	160	11	0
Totals	1432	945619	10012048	2134890	475922	4165339	4669550	204718	4253666	34189715	1120912	3193178	23029	8158	3825	5	0

DETAILED SUMMARY OF THE SOCIETIES.

	No. of Societies at end of 1887.	No. of Members at end of 1887.	Share Capital at end of 1887.	Loan Capital at end of 1887.	Reserve Fund at end of 1887.	Value of Saleable Stock at end of 1887.	Value of Land, Buildings, and Fixed Stock at end of 1887.	Allowed for Depreciation during 1887	Investments at end of 1887.	Goods Sold during 1887.	Total Net Profit made during 1887.
			£	£	£	£	£	£	£	£	£
Distributive Societies	1348	858237	8461888	968175	349097	2704499	3546764	151359	4053835	22343651	2940337
Productive Societies	67	22480	651369	207718	18149	277317	390559	20681	62979	1574145	59500
Supply Associations	15	63841	535953	106407	55179	509384	278300	7208	50942	2754264	75615
English Wholesale Society:—											
Distributive	1	827	222861	579817	32658	454907	331837	19409	5231	5518216	55440
Productive.....	...	...	78093	...	...	41715	33895	3031	...	195019	9701
Scottish Wholesale Society:—											
Distributive	1	234	45423	272773	20839	170350	80325	2553	80679	1756278	51302
Productive.....	...	...	16461	...	...	7167	7870	477	...	48142	1283
Totals	1432	945619	10012048	2134890	475922	4165339	4669550	204718	4253666	34189715	3193178

THE CO-OPERATIVE WHOLESALE SOCIETY LIMITED.

Year Ending	£5 Shares taken up.	Members' belonging to Shareholders.	Capital, Share, Loan, Reserve, and Insurance.	Sales.	Expenses.	Profits.	Rate per £100 on Sales. Expenses.	Rate per £100 on Sales. Profits.	Average Dividend per £100.
			£	£	£	£	£	£	£ s. d.
October 1864—30 weeks	..	18,337	2,455	51,857	347	267	.6691	.5148	0 12 6
,, 1865.....	..	24,005	7,182	120,754	906	1,858	.7502	1.5386	1 9 2
,, 1866.....	..	31,030	11,050	175,489	1,615	2,310	.9202	1.3162	1 5 0
January 1868—65 weeks	..	59,349	26,313	331,744	3,135	4,411	.9450	1.3296	1 5 0
,, 1869.....	..	74,737	32,062	412,240	3,338	4,862	.8097	1.1794	1 2 11
,, 1870.....	..	79,245	40,658	507,217	4,644	4,248	.9155	.8375	0 14 7
,, 1871—53 weeks	..	89,880	44,164	677,734	5,583	7,626	.8237	1.1252	0 18 9
,, 1872.....	5,835	114,588	52,088	752,764	6,853	7,867	.9031	1.0368	0 18 9
,, 1873.....	6,949	134,276	146,857	1,153,132	12,811	11,116	1.1109	.9639	0 18 9
,, 1874.....	13,899	168,985	200,c44	1,636,950	21,147	14,233	1.2911	.8694	0 16 8
,, 1875.....	17,326	198,608	263,282	1,964,829	28,436	26,684	1.4472	1.0527	0 16 8
,, 1876.....	22,254	249,516	379,607	2,247,395	31,555	26,750	1.4040	1.1902	0 19 9½
,, 1877—53 weeks	24,717	276,522	417,985	2,697,366	42,436	36,979	1.5732	1.3709	0 19 9½
,, 1878.....	24,979	274,649	418,525	2,827,052	43,169	29,189	1.5269	1.0324	0 16 8
,, 1879.....	28,206	305,161	442,114	2,705,625	43,093	34,959	1.5926	1.2920	0 17 8½
December 1879—50 weeks....	30,688	331,625	494,330	2,645,331	41,309	42,764	1.5615	1.6165	1 2 11
,, 1880	33,663	361,523	565,854	3,339,681	47,153	42,090	1.4119	1.2602	0 19 9½
,, 1881	34,351	367,973	580,046	3,574,095	51,306	46,850	1.4355	1.3108	1 1 10½
,, 1882	38,643	404,006	632,203	4,038.238	57,340	49,658	1.4199	1.2296	1 1 10½
,, 1883	41,783	433,151	691,181	4,546,889	66,057	47,885	1.4527	1.0531	1 1 10½
,, 1884—53 weeks....	45,099	459,734	761,358	4,675,371	70,343	54,491	1.5045	1.1655	1 2 11
,, 1885	51,099	507,772	841,175	4,793,151	74,305	77,630	1.5502	1.6196	1 8 1½
,, 1886	58,612	558,104	944,379	5,223,179	81,653	83,328	1.5632	1.5953	1 6 0½
,, 1887	64,475	604,800	1,017,042	5,713,235	93,979	65,141	1.6449	1.1401	1 0 10
				56,817,318	832,513	717,196	1.4652	1.2622	1 0 9¾

The following are the dates when the different Departments and Branch Establishments were opened:—

1866 Tipperary.
1868 Kilmallock.
1869 Limerick.
1871 Newcastle Branch.
1872 Manchester Boots and Shoes.
,, Crumpsall Biscuit Works.
1873 Armagh.
,, Manchester Drapery.
,, Leicester Boot & Shoe Works.
,, Cheshire.
1873 Waterford.
1874 Clonmel.
,, London Branch.
,, Tralee.
,, Durham Soap Works.
1875 Liverpool.
1876 New York.
,, Goole.
,, Manchester Furnishing.
,, Steamship "Plover."
1877 Cork.
1879 Steamship "Pioneer."
,, Rouen.
,, Goole.
1880 H'km'ndwike B't & Shoe W'rks.
1881 Copenhagen.
,, Steamship "Cambrian."
1882 London Tea and Coffee.
1883 Steamship "Unity" (late "Marianne Briggs").
1884 Hamburg.
,, Bristol Depôt.
,, Steamship "Progress."
1886 Longton Depôt.
,, Steamship "Federation."
1887 Batley.
,, Heckmondwike Currying.
,, London Cocoa.

THE SCOTTISH CO-OPERATIVE WHOLESALE SOCIETY LTD.

YEARS.	Shares taken up.	Capital, Share, Loan, Reserve, and Insurance.	Sales.	Expenses.	Profits.	Rate per £100 on Sales.		Average Dividend per £100.
						Expenses.	Profits.	
		£	£	£	£			£ s. d.
1869—52 weeks ...	...	5,174	81,094	1,035	1,303	1.2762	1.7093	1 7 1
1870—50 weeks ...	...	12,543	105,249	1,549	2,418	1.4714	2.2849	1 16 5
1871—52 weeks ...	...	18,809	162,658	2,180	4,131	1.342	2.478	2 3 9
1872 " ...	18,708	30,931	264,530	3,470	5,435	1.3216	2.0702	1 16 5
1873 " ...	21,271	50,443	384,489	5,055	7,445	1.3347	1.9365	1 16 5
1874 " ...	24,651	48,981	409,947	6,696	7,553	1.4869	1.8351	1 16 5
1875 " ...	27,112	56,750	430,169	7,137	8,232	1.6690	1.9136	1 13 4
1876—51 weeks ...	29,008	67,218	457,529	7,540	8,836	1.6480	1.9290	1 13 4
1877—52 weeks ...	31,945	72,568	589,221	8,648	10,925	1.4677	1.8541	1 13 4
1878 " ...	34,830	83,173	690,590	10,095	11,968	1.7099	2.0261	1 13 4
1879 " ...	36,008	93,076	630,097	11,117	14,989	1.7927	2.4172	1 16 5
1880 " ...	41,584	110,179	845,221	13,020	21,685	1.5274	2.5536	2 14 2
1881—53 weeks ...	49,073	135,713	986,646	15,757	23,981	1.5868	2.4305	2 10 0
1882—52 weeks ...	53,684	169,428	1,100,588	19,686	23,219	1.7885	2.1096	2 5 10
1883 " ...	59,529	195,396	1,253,154	22,120	28,365	1.7651	2.2635	2 7 11
1884 " ...	65,331	244,186	1,300,331	24,307	29,434	1.8693	2.2635	2 5 10
1885 " ...	70,066	288,945	1,438,220	27,314	39,641	1.8991	2.7562	2 16 3
*1886—60 weeks ...	79,874	333,653	1,857,152	36,942	50,398	1.9891	2.7137	2 14 2
1887—53 weeks ...	87,220	367,309	1,810,015	35,800	47,278	1.9778	2.6120	2 16 3

* Change of dates of Stocktaking to last Saturdays in March, June, September, and December.

6.—Note to Page 110.

PRICES AT WHICH METAL TOKENS CAN BE OBTAINED.

The following lists were obtained from the undermentioned firms, in answer to inquiries made in November, 1879:—

Messrs. John Ardhill and Co., St. George's Works, Little Woodhouse Street, near Leeds.

THIN TOKENS.—PER THOUSAND.

Diameter.	Tin.	Brass.	Copper.
$\frac{7}{8}$ inch	2/6	6/0	6/6
$\frac{15}{16}$ "		6/6	7/-
1 "		7/0	7/6
$1\frac{1}{16}$ inch		7/6	8/-
$1\frac{1}{8}$ "		8/-	8/5
$1\frac{3}{16}$ "		8/6	9/-
$1\frac{1}{4}$ "		9/-	9/6

THICK TOKENS.

	Tin-Milled Edges.	White Metal Thickness of Coin.
$\frac{7}{8}$ inch	7/6	14/-
1 "	8/-	18/-
$1\frac{1}{8}$ "	9/-	22/-

Thickness of Coin.	Brass.	Copper.
$\frac{3}{4}$ inch (Half Sovereigns)	14/-	16/-
$\frac{7}{8}$ " (Sovereigns)	16/-	18/-
1 "	22/-	24/-
$1\frac{1}{8}$ "	30/-	35/-

Messrs. James Hinks and Son Limited, Birmingham and London, 80, Holborn Viaduct, E.C.

Round Dies, engraved to order ..... -/6 each net.
Tin Tokens " " from..... 1/- per gross net.
Copper " " " from..... 1/6 " "

Seven gross the smallest amount supplied from each die.

The Midland Co-operative Tinplate Workers' Productive Society, 25, Masshouse-lane, Birmingham, will be glad to send estimates for metal checks to any Society.

7.—Note to Page 112.

SUGGESTION FOR AN IMPROVED SYSTEM OF CHECK ON SALES AND MONEY TAKINGS.

1. A complete system of check on the business of societies should possess the following qualities:—

(1) It should effectually check the actual amount of money taken.

(2) If the society does not pay dividend on all articles, it should distinguish those on which dividend is paid from those on which it is not.

(3) If non-members are entitled to dividend at a less rate than members, it should distinguish the two sets of claims, so that it may not be possible for a member to buy up the claims of non-members and get a dividend larger than the seller was entitled to by claiming in his own name.

(4) It should enable the managers of the society to have a complete record of the articles stated to have been sold, if it appeared to be desirable, either generally or in any particular case.

(5) It must be workable without such a consumption of time and money to the members or the society as may outweigh its advantages.

2. None of the systems explained in the chapter on Distribution fulfil all these conditions. The system of metal tokens ordinarily used fulfils none, except the last. But since the chapter on Distribution was written, a plan has been suggested, which appears very completely to combine (1), (2), (3), and (5) of the conditions above-named, while it may be easily extended so as to embrace (4), if this is desired in any case.

This plan consists in issuing paper tokens, similar to postage stamps, made up into books for shillings, pence, and farthings, if checks are issued for such small sums.

Each token in each set would be of the same value, *i.e.*, for sums under 10s., 1d. or 1s.; and for sums of 10s. and upwards, 10s. The tokens should be separated by perforated lines, like postal stamps, and each set should be numbered continuously. Sums of more than ½d., 1d.; 1s. or 10s. respectively would be indicated, as is done with postal stamps, by using more than one without separating them.

The tokens should be gummed at the back, and purchasers should be supplied with cards, divided by lines so as to leave spaces corresponding to the size of the tokens, in which they might be fastened; columns for £. s. d. being added on one side into which the money value of each set of tokens might be carried out. These cards would be the basis for calculating dividends. When one was filled up, the sum in the columns of figures would be added up, and the total carried on to the top of the column of a new card, which would be supplied to the purchasers on giving up the first.

Each card should be distinguished by either the name of the holder, or a number by which the holder could be identified.

The continuous numbers would afford a very easy method of verification. It would be necessary only to provide for each set of tokens a check book containing a similar set of numbers. As the cards were brought in, the numbers on the tokens would be ticked off in these books; when, if any duplicate numbers appeared, there would be direct proof that one or the other of these duplicate tokens was forged; while the question which one would be reduced to the simplest possible elements of inquiry, since the two persons between whom the fraud must lie would be ascertained by the names or numbers on the cards. As the check cards would be constantly coming in during each quarter, the verification might be always going on, so as to prevent there being a great pressure in this operation at the end of the quarter.

On the salesman the system would provide a very effectual check, by recording the number of the last token whenever any book given to him was examined. For the difference between the two numbers would represent the exact sum for which he had to account in respect of the tokens taken from that book.

Of course, this assumes that the purchasers would require in every case tokens equal to the amount of their purchases. If this were not done, in any instance, there would be a possibility of fraud to the extent of that purchase. Probably, however, it would be confined to very narrow limits. But this possibility apart, if tokens were required to be given in every case, any discrepancy between the actual takings and the money produced must immediately come to light.

For sales to non-members and sales of articles on which no dividend was paid, provision might be made by a stamp with the letters N M or N D, which the salesman should be required to mark on the token on issuing it.

It may, perhaps be objected that these tokens would take up so much space that the cards would require to be renewed inconveniently often. But considering the provision made for preserving them by the cards, and that for all sums over one of each denomination, more than one token would be used in connection, there would probably be no inconvenience in reducing the tokens for shillings to $\frac{1}{8}$ and for pence to $\frac{1}{4}$ of a postage stamp divided by lines parallel to the top and bottom; so that the space occupied by 11d. or 9s. would be only equal respectively to $2\frac{3}{4}$ or 3 postage stamps. But books might be used for intermediate values, say 3 and 6 pence or shillings, if this were thought desirable.

The system here described would supply an effective check on money takings without requiring any entry of the purchases. If an entry of these particulars is desired, it may be made by such a system of books, in which the bills are written on the carbon process, as is described in the body of the work to be in use in the Civil Service Stores.

If such a method of entry were combined, with a separation of the cash takings from the dealing with the goods, and it were connected with the system of tokens here explained, there would be produced a very complete check on the salesmen, but at a considerably additional cost for labour, which societies, who have a large business in transactions individually small, may not think it worth their while to incur

8.—Note to Page 126.

LIST OF PRODUCTIVE SOCIETIES, 1887.

Object of Manufacture.	Name of Society.	No. of Members at end of 1887.	Liabilities.			Assets.		Trade.	Net Profit.	
			Share Capital at end of 1887.	Loan Capital at end of 1887.	Reserve Fund at end of 1887.	Value of S'leable Stock at end of 1887.	Value of Land, Bld'ngs. & Fixed Stock at end of 1887.	Goods Sold during 1887.	Total d'ring 1887.	Per Cent. on Sales.
England and Wales.			£	£	£	£	£	£	£	
I.—*Cotton, Linen, Silk, & Wool.*										
Cotton Cloth	*Burnley Industrial Manufacting	...	...	...	...	...	...	...	..	...
"	Burnley Self-Help Manufacturing	320	3880	2325	662	3593	3965	34276	424	1.23
"	Rochdale Manufacturing	1004	65855	75240	2749	39036	99511	206549	3250	1.57
"	*Whittlefield	...	...	...	...	...	...	...	...	...
Elastic Web	Leicester Elastic Web Manufacturing	8	1135	715	414	1513	540	10508	147	1.39
Flannel	Lancashire and Yorkshire Productive Manuf.	22	2640	13324	...	11520	4396	22313	106	0.47
Fustian	Hebden Bridge Fustian Manufacturing	553	18840	6579	1354	7255	19590	26064	2802	10.75
Hosiery	Hinckley Hosiery Manufacturing	84	...	...	...	...	...	274	...	...
"	Leicester Hosiery Manufacturing	176	3975	2213	320	4237	2698	10551	240	2.27
"	Sheepshed Hosiery Manufacturing	38	78	124	...	89	...	75	...	...
Quilts and Table Covers	Eccles Manufacturing	324	13030	5673	246	5538	10680	17721	697	3.93
Silk Twist	Leek Silk Twist Manufacturing	42	675	464	116	495	79	4847	159	3.28
Worsted and Wool	Airedale (Bradford) Manufacturing	212	2618	566	444	2993	344	8722	534	6.12
"	Thomson, Wm., & Sons Limited	120	3482	8588	...	8797	4373	29595	247	0.83

II.—*Farming.*										
Farming	Assington	281	2308	613	...	1670	374	1263	‡	...
"	North Seaton	99	249	...	148	252	...	505	28	5.54
"	Radbourne	9	...	2800	...	2500	...	...	...	...
"	Ufton	10	...	2600	...	2400	...	...	...	...
"	*North-Western Farming	...	...	...	...	...	...	...	...	...
"	*Scottish Farming Association	170	701	...	...	...	...	...	...	...
III.—*Leather.*										
Boots and Shoes	Bozeat Manufacturing	69	261	457	...	918	133	3810	...	...
"	*Chesham Bootmakers	...	...	...	...	...	...	...	...	...
"	Earls Barton Manufacturing	30	56	68	.	314	101	1582	84	5.30
"	Finedon Manufacturing	24	345	221	56	2064	461	6693	314	4.69
"	†Leicester Manufacturing	206	352	...	20	262	82	706	20	2.83
"	Norwich Leather and Grindery	131	113	67	4	195	23	926	91	9.82
"	Northamptonshire Productive, Wollaston	52	924	766	115	2711	349	14227	215	1.51
"	Portland Town Profit-sharing	24	298	93	...	107	21	468	...	...
"	*Raunds Manufacturing	14	205	...	...	...	...	...	...	...
"	*Walgrave Manufacturing	...	...	...	...	...	...	...	...	...
IV.—*Metal Workers.*										
Chains, &c.	*Cradley Heath Chain, &c., Manufacturing	...	...	...	...	...	...	...	...	...
"	Walsall Cart Gear Manufacturing	12	15	10	3	16	16	224	4	1.78
Nails	Dudley Nail Manufacturing	12	188	66	54	425	7	814	51	6.26
"	Midland Nail Makers' Association	9	311	114	18	235	59	1170	...	...
Watches	Coventry Watch Manufacturing	100	1446	348	302	1967	27	3932	§	...
Cutlery	Sheffield Cutlery	62	189	133	31	308	14	600	26	4.33
Locks, &c.	Walsall Lock and Hardware Manufacturing	27	512	270	550	1700	714	9038	427	4.72
Machines	Keighley Ironworks	178	1596	...	...	482	649	1350	...	...
Tin, &c.	*Midland Tinplate Workers, Birmingham	64	500	...	...	...	...	...	...	...
"	*Tin, Iron, and Zinc Plate Workers, London	77	...	...	...	...	...	...	...	...

LIST OF PRODUCTIVE SOCIETIES, 1887—CONTINUED.

OBJECT OF MANUFACTURE.	NAME OF SOCIETY.	No. of Members at end of 1887.	LIABILITIES.			ASSETS.		TRADE.	NET PROFIT.	
			Share Capital at end of 1887.	Loan Capital at end of 1887.	Reserve Fund at end of 1887.	Value of S'leable Stock at end of 1887.	Value of Land, Bld'ngs, & Fixed Stock at end of 1887.	Goods Sold during 1887.	Total d'ring 1887.	Per Cent. on Sales.
ENGLAND & WALES—*contd.*										
V.—*Various.*			£	£	£	£	£	£	£	
Fishing	North Shields Fishing	39	987	431	...	1460	...	1692	125	7.38
Bookbinding	Bookbinders, London	96	408	9	...	15	127	530	...	...
Portmanteaus and Trunks	Portmanteau and Trunk Makers, London	164	373	120	...	350	36	1250	...	...
Bag Manufacturing	Bag Manufacturing, London	8	8	375	...	255	...	347	...	...
Printing	Manchester Co-operative	503	15738	12551	3111	5705	21162	43134	2296	5.32
"	Co-operative Newspaper	213	1847	303	2854	370	3232	7500	258	3.44
Building	Bromley Builders	22	43	2211	...	12	2272	79	17	2.15
Quarrying and Building	Howley Park, Morley	137	5000	...	542	1349	3113	8792	484	5.50
Baking Powder and Sundries	Gorton Sundries	27	191	...	2	187	46	952	48	5.04
Mats	*Long Melford Mat Makers	...	...	...	...	...	...	...	...	...
Painting and Decorating	*Central House Decorators and Painters, Lond.	...	...	...	...	...	...	...	...	...
Tobacco	*London Cigarette Makers, &c.	...	...	...	...	...	...	...	...	...
Clothing	*London Needlewomen's	...	...	...	...	...	...	...	...	...
Bobbins	Staveley Bobbin Manufacturing	122	1777	857	...	1708	...	5046	503	9.95
SCOTLAND.										
Cotton & Wool.—Linen	Dunfermline Manufacturing	100	840	196	184	854	218	1010	55	5.44
" Woollen & Cotton	Paisley Manufacturing	367	4877	6313	342	8746	2823	27222	1904	6.99
Printing	Edinburgh Printing Society	134	4329	8791	638	497	11404	7280	685	9.40
Pottery	*Bo'ness Pottery	59	3680	...	...	...	...	...	...	...

* Had not commenced business in 1887. † Only six months' trade. ‡ Loss, £86. § Loss, £97.

9.—Note to Page 129.

THE EFFECTS OF THE SYSTEM OF COMPETITION ON THE DISTRIBUTION OF PROPERTY.

The tendency of the competitive system to throw the increased wealth caused by the growth of knowledge and improvements in production into the hands of a comparatively small proportion of the community is strikingly illustrated by the recent inquiries of two eminent statisticians, Mr. R. Giffen and the late Mr. Dudley Baxter.

Mr. Giffen showed from the income tax returns, in a paper read before the Statistical Society on January 15th, 1878, that between 1866 and 1876 the national estate had improved in value at the rate of £240,000,000 a year, the increase of personal property alone being £142,000,000 a year. So that in ten years the country had accumulated three times the amount of the National Debt; or, while the populaton had increased 1 per cent per annum the amount of property had increased from 3 to 4 per cent per annum. Now, as there certainly has not been any improvement in the general condition of the people at all corresponding to this increase of property, it follows that the increase must have gone to augment the incomes of the richer classes. That is to say, this accumulation has been the continuation at a still more rapid rate of the process which a comparison of the distribution of income within each of the divisions of the United Kingdom within itself, and that of England, Scotland, and Ireland, as compared with each other, according to the estimate for 1868 contained in Mr. Baxter's valuable work on "National Income," shows to have gone on for centuries in these countries.

Mr. Baxter divides the income receivers, for the purpose of comparison, into two great classes:—I. Those who have means of subsistence independent of manual labour. II. Those whose subsistence depends upon manual labour. Each of these classes he divides into groups, of which there are in Class I. five, and in Class II. three.

Class I. contains—

1. Those whose annual income is over..... £5,000.
2. ,, ,, between .. £5,000 and £1,000.
3. ,, ,, ,, .. £1,000 and £300.
4. ,, ,, ,, .. £300 and £100.
5. ,, ,, below .... £100.

Class II. contains—

6. Highly Skilled Labour.
7. Lower Skilled Labour.
8. Unskilled Labour and Agriculture.

From these divisions Mr. Baxter obtains for 1868 the results following :—

ENGLAND.

Class.	Numbers.	Income.		Percentage of	
		Total.	Annual Average.	Numbers.	Incomes.
		£	£ s. d.		£
I. 1.....	7,500	111,104,000	14,813 17 4	.0761	16.7849
2.....	42,500	69,440,000	1,633 17 7	.4269	10.4905
3.....	150,000	72,910,000	486 1 4	1.5246	11.0148
4.....	850,000	93,746,000	110 5 9	8.6455	14.1625
5.....	1,003,000	60,000,000	59 16 7	10.1950	9.0644
Total of I.	2,053,000	407,200,000	198 6 10	20.8681	61.5171
II. 6.....	1,123,000	56,149,000	50 0 0	11.4149	8.4826
7.....	2,819,000	127,921,000	45 7 6	28.6542	19.3251
8.....	3,843,000	70,659,000	18 7 8	39.0627	10.6751
Total of II. ...	7,785,000	254,729,000	32 14 5	79.1318	38.4828
I. and II.	9,838,000	661,929,000	67 5 7	99.9999	99.9999

SCOTLAND.

I. 1.....	600	10,068,000	16,780 0 0	.0430	13.5572
2.....	4,100	8,505,000	2,074 9 0	.2941	11.4525
3.....	13,900	7,464,000	536 19 6	.9971	10.0507
4.....	97,400	8,679,000	89 2 0	6.9870	11.6868
5.....	156,000	7,800,000	50 0 0	11.1908	10.5032
Total of I.	272,000	42,516,000	156 6 2	19.5120	57.2504
II. 6.....	137,000	6,454,000	47 2 3	9.8278	8.6907
7.....	558,000	16,543,000	29 12 11	40.0286	22.2760
8.....	427,000	8,750,000	20 9 10	30.6312	11.7824
Total of II. ...	1,122,000	31,747,000	28 5 10	80.4876	42.7491
I. and II.	1,394,000	74,263,000	53 5 6	99.9996	99.9995

IRELAND.

I. 1.....	400	4,985,000	12,462 10 0	.0160	6.3970
2.....	2,700	5,379,000	1,992 4 5½	.1085	6.9026
3.....	14,400	7,347,000	510 4 2	.5787	9.4280
4.....	78,500	8,527,000	108 12 5	3.1551	10.9422
5.....	338,000	13,520,000	40 0 0	13.5852	17.3495
Total of I.	434,000	39,758,000	91 12 2	17.5435	51.0193
II. 6.....	85,000	3,750,000	44 2 4	4.4164	4.8221
7.....	710,000	16,188,000	22 16 0	28.5369	20.7732
8.....	1,259,000	18,231,000	14 9 7	50.6028	23.3848
Total of II.	2,054,000	38,169,000	18 11 7	82.5561	48.9801
I. and II.	2,488,000	77,927,000	31 6 5	99.9996	99.9994

Taking the two extremes of this table, we have two countries—England and Ireland—differing so much in their collective wealth than the income per head of the whole income-receiving population is, in the former, more than double that in the latter, £67. 5s. 7d. per head of every income receiver in England, against £31. 6s. 5d. in Ireland. How is the surplus income of England distributed? The table shows that it goes mainly to increase the incomes of the richer classes. Of the £77,927,000 total income of Ireland, nearly half, 48.98 per cent., is absorbed by the earnings of the class who depend on manual labour for their support. 51.019 per cent. only goes into the pockets of those who are independent of this source. It yields them an average income of £91. 12s. per head. But of the £661,929,000 of English income, £407,200,000 (61.5171 per cent.) of the whole is appropriated by the owners of revenue independent of manual labour, to whom it gives an average income of £198. 6s. 10d. a year, leaving to the classes dependent on manual labour £254,729,000 (38.4829 per cent. of the whole income), with an average receipt of £32. 14s. 5d., against £18. 11s. 7d., the average for the same classes in Ireland.

Scotland, as it occupies a middle place in wealth, so it has a middle position in its distribution. Of the £74,263,000 total income ascribed to it in the table, £31,747,000 (42.7491 per cent.) goes among the classes who live by their manual labour, to whom it gives an average income of £28. 5s. 10d., while £42,516,000 (57.2504 per cent.) belongs to the richer classes, yielding them an average income of £156. 6s. 2d.

Taking the two great divisions collectively, we find that while the average income of the classes supported by manual labour in England is higher than that of the same classes in Ireland and Scotland in the proportion of £32.720 to £18.562 in the first case, and £28.266 in the second, or an increase of 77.77 per cent. over the Irish, and 15.75 over the Scotch rate, the average incomes of the richer class in England have increased in the proportion of £198.340 to £91.408 over the Irish, and of £150.308 over the Scotch average, or 115.87 per cent. in the first case, and 64.62 in the second. That is to say, while the poorer classes in England are, on an average, a good deal short of being twice as well off as the poorer classes in Ireland, and less than one-sixth part better off than the same classes in Scotland, the richer classes are, on a like average, a good deal more than twice as wealthy as the corresponding classes in Ireland, and one and a half times as rich as those of Scotland.

It must be observed, however, that this increased average arises not from the incomes of the richer classes taken individually being larger, so much as from these classes being so much more numerous in proportion to the whole population. Mr. Baxter's tables give for the incomes of classes 1, 2, and 3 individually, a higher average in Scotland than in England; and in Ireland, for the 1st class, an average not far short of the English average, while for the 2nd and 3rd the average is actually higher. But, then, while class 1 is only .0160 of the Irish income receivers, it is .0438 of the Scotch, and .0762 of the English, nearly five times as large in England, and three times as large in Scotland. Classes 2 and 3, which form together only

·6872 per cent of the Irish income receivers, form 1·2192 of the Scotch, and 1·9524 per cent of the English; numbers which, when compared with the proportion for the highest class, are a further illustration of the tendency in the present system to throw the increase of income into the hands of the richest class, since they show that the increase in number of the richest class in England is proportionately greater than that of the two classes next to them in wealth.

I began by stating that Mr. Baxter's tables relate to a period nearly twelve years distant from us. But the more recent researches of Mr. Giffen may assure us that the tendency disclosed by these tables has not at all ceased to operate since they were compiled. On the contrary, there is every reason for thinking that if the tables were carried down to the present time, they would show the richer classes, at least in England and in Scotland, in possession of a proportion of the national income still larger than that held by them twelve years since, and distributed so that the shares belonging to the richest class among the rich has increased in the largest proportions; while the poorer classes, if collectively they possess a larger income than Mr. Baxter assigns to them, as they probably may do from their increased number, would own a smaller proportion of the whole amount, with an individual average diminished by the results of the long depression of trade.

If a more satisfactory state of things is to be introduced, it is clear that we must look for it in something very different from that struggle, perpetually increasing in intensity, which assumes the pretentious, but very deceitful name, of Free Trade.

10.—Note to Page 138.

WORK AND THE WORKMAN.

A remarkable paper, read by Dr. Ingram, Fellow of Trinity College, at the Trades Union Congress, at Dublin, on "Work and the Workman," contains observations upon the effects of co-operation upon the working population which I am unwilling to leave without notice.

"Much stress," says Dr. Ingram, "has been laid by the advocates of the co-operative system on the enlightenment and the moral benefits which must arise from its practice. It is said that it will bring working men to understand the grave difficulties with which employers have to contend in the conduct of their business, and will make them more reasonable in their dealings with employers, by showing them in a practical way the bearing on production and prices of the regulations they desire to enforce on the masters. It is to be observed that this implies only a partial or temporary trial of the system, and looks to the organisation of employer and employés as the really permanent and normal one. The instruction so received might be useful enough, but it would be dearly purchased by extensive and repeated failures, and I believe the same lesson can be sufficiently inculcated through study and observation without compromising the interests of families. It is also alleged that the working of the co-operative system, regarded in its reaction on character, will call forth many of the highest

qualities of our nature. All combined action of men for honest ends doubtless develops some useful elements of character; but the degree of the elevation of these elements depends on the nature and objects of the combination, which may be of a kind to starve other better traits. I believe in no moral regeneration founded on appeals to private interest. Social motives alone can truly moralise; and I cannot help thinking that upon the whole the tendency of the co-operative system would be to spoil the best qualities of the working man. Large sympathies and generous impulses which are natural to the one would be supplanted by the comparative deadness to social interests, and the constant gain regarding the attitude of the other. I believe thus the immense majority of working men must remain to the end working men, and that only. I further believe that this necessity admits of being fully reconciled with their happiness and their dignity. They would, in my opinion, best consult their best interests by recognising these truths as soon as may be, and sincerely renouncing the pursuit of a different position. What they ought to aim at is the elevation of their class, as such, without seeking to alter the bases of the existing organisation of industry."

On the way in which the workers should seek the elevation of their class, Dr. Ingram proceeds to give much excellent advice, concluding with a passage which, notwithstanding its length, I extract, both for the intrinsic value of the teachings contained in it, and because they supply the best refutation of the opinions expressed by the Dr. in opposition to co-operative union, if that union is looked at from the point of view presented in this work.

"I have not," he says," you will observe, presented the view that the intellectual improvement of the workman," of which he had urged the importance, "will assist him in rising out of his class into a higher sphere of life. I do not, either for him or his employer, contemplate what is called 'getting on in life' as the great end of existence. In much of the popular literature of self-help, the hero held out to our admiration is the man who, beginning as a workman, scales the ladder of social elevation, and closes his career as a master; and it is almost implied, that the great question is not how to improve and ennoble the workman's life, but how to enable the ambitious and energetic to escape from it. I think current ideas on this matter want a good deal of correction. The causes which determine the rise of some to the rank of directors of industry, while others remain in the position of workmen, are not always easy to trace; most frequently accidental elements of situation or opportunity are involved. But, so far as personal qualities are operative, it is a great mistake to suppose, as is too often taken for granted, that a rise of this sort is always or ordinarily connected with superiority of nature. A man who remains a workman all his life may be, and often is, in all the essential qualities of manhood, of far greater intrinsic value than another who raises himself to wealth and rank. The practical qualities which most lead to what is called success—toughness, dexterity, and caution—valuable, no doubt, in themselves, may be combined with a poor intellect and a narrow heart. The very process by

which industrial ascendancy is reached, even when the means used are perfectly legitimate, involve grave dangers to man's nature. The constant habit of self-regard; the temptation to put aside the claims of others; the intense preoccupation with the possibilities of profit, have a tendency to produce on the intellectual side narrowness of view, and on the moral side hardness and want of sympathy. These qualities have often been observed in self-made men, and particularly in the smaller capitalists, who are still suffering from the deteriorating effects of the struggle. It is only just, however, to add, that in nature's fundamentally good, when the strain of acquisition is relaxed, the possession of wealth and the power it bestows often develop the better elements, and bring out the nobler instincts of the genuine chief. More frequently, perhaps, social fruit is not derived from these elevations till the second generation; and then only where vanity and a weak imitation of the old aristocracy do not lead to a life of luxury and ostentation. But, be this as it may, there is no reason why we should think less of a man because ambition and the desire to be rich are weak in his nature. They are weak, I believe, in most healthy natures, and it is well that they should be so. Morality and religion have always deprecated any intense degree of them. We cannot, indeed, dispense with a strong dose of them in some members of the industrial world, for they are necessary to bring about the formation of large capital, and to provide efficient directors of industry. But the development of these elements of character is required only for the actual or destined capitalist. They are foreign to the vocation of the ordinary working man, and, if indulged, produce from the necessary limitation of his circumstances a miserable restlessness and spirit of revolt. What is really important for working men is, not that a few should rise out of their class—this sometimes rather injures the class by depriving it of its more energetic members. The truly vital interest is *that the whole class should rise in material comfort and security, and still more in moral and intellectual attainments.*"

The italics in the closing sentence are mine; I have added them because the words so well express the aim of co-operation as it has been presented in these pages, at least with the addition of a proviso, which I am confident that Dr. Ingram would heartily endorse—that this rise of the working classes in material comfort and moral and intellectual attainment should be made, not in antagonism to any other class but in the joint interest of all. The defect in Dr. Ingram's positions appears to me to be that he overlooks the means through which alone the result which he desires can be attained. How can we suppose that this high minded indifference to material advantages and devotion to intellectual and moral improvement are to be generally, or even largely, produced among bodies of men whom the circumstances of their position condemn to a perpetual struggle, against employers who are themselves impelled, by the ever-increasing keenness of the competition to which they are exposed, to seek for the means of holding their own position by the reduction of their payments to those whom they employ. Surely if the calm devotion to the pursuit of the higher ends of human existence, on which Dr. Ingram justly sets such high store, is to spring up anywhere

abundantly among the working population, this would be within the shelter of such institutions as the great Co-operative Society now founded by M. Godin, at Guise; where every worker could feel that the future of himself and his family was assured by the permanence of the association which gave them employment; where there was no body of men to profit by a reduction of his earnings; and where he was liable to no loss of employment by the arbitrary will of any employer; but if this employment were ever lost it must be through a wilful breach on his part of rules in the forming of which he as a member of the society had himself a part.

Again, admitting the truth of Dr. Ingram's assertion as to the specialité of the qualities which go to form a successful manufacturer, I claim it as a great and unique advantage of co-operative action that it can make use of these energetic characters for the good of the whole body, without that individual deterioration, which Dr. Ingram admits to be the general consequence of the struggle forming at present the ordinary accompaniment of the progress to success. For that "constant habit of self-regard," and "temptation to put aside the claims of others," to which Dr. Ingram justly ascribes the "tendency to produce, on the intellectual side narrowness of view, on the moral side hardness and want of sympathy," what more appropriate medicine could be prescribed than that the practical energies, of which these tendencies are a misdirection, should find their readiest and most natural employment in the service of a society, which, by its internal constitution, and external association, as a member in a great union whose motto was "one and all," perpetually inculcated as the true ends of human actions, the supreme rule of individual conduct—regard for others.

The more completely we enter into Dr. Ingram's ideal of life for the worker, the more thorough, I think, must be our conviction that only by co-operative union, for such purposes as have been set forth in these pages, is there any reasonable hope of this ideal becoming in any considerable measure, a reality.

Necessarily the attainment of this end requires that the associations through which it is to be brought about should not be commercially failures. The education of the working population to the higher level, on which I claim for co-operation the power to place them, could not be attained by the "ruin of families." But when the danger of the loss of earnings in co-operative enterprises is adduced as an objection to their being undertaken by bodies of workers, we must not forget the enormous amount of these earnings which have been spent in maintaining men out of work; I will not say with no beneficial result, but certainly with results attained at a cost which it is hard to imagine that any amount of loss sustained in co-operative manufactures, supported by contributions equally large and carried on with equal persistency could have occasioned. That this danger of ruin really exists at all in co-operative enterprises, as conducted on the associative bases advocated in this Manual, I do not admit. But, at the worst, the sort of ruin which such efforts would bring upon families would be a very advantageous exchange for the misery which, if the accounts given us of the effects of long strikes are true, have been entailed on hundreds and thousands of families by these deplorable conflicts.

II.—NOTE TO PAGE 140.

THE DISTRIBUTION OF PROFITS IN FEDERATIVE PRODUCTION.

The scheme sketched out on pages 135 to 140 assumes, on the part of the workers, a disposition to seek systematically the elevation of their class as workers; and, for this purpose, to do whatever is in their power to *increase* the earnings of work by diminishing the charge of capital, from the conviction that the rapidity with which the whole working population can be lifted up to a higher social level, must depend upon the results obtained in the co-operative workshops first set up. It is a result to be attained, not at the cost of the consumer, by increasing prices against him, but by applying for the benefit of those who do the work, and therefore ultimately of the whole working population, the surplus now absorbed by the class of capitalists alone. Prices would remain, so long as competitive production ruled the market, what this competition made then. If co-operative production superseded it, they would be fixed by an agreement between the consumers whose savings formed the basis of the system, and the producers whose labour made those savings into increased wealth. And the surplus employed for the benefit of work would not be paid away to the workers to be dealt with as they please. It would benefit the workers by whom it had been accumulated, through the share guaranteed them in the products of the ever-growing number of productive establishments, by which the whole body of workers would be gradually raised from the position of mere wage receivers to that of joint owners of the workshops, through which these wages were earned.

For these reasons I have suggested the plan as the best suited for adoption by societies of working consumers who wish to use Co-operative Distribution as a safe road to Co-operative Production. But if the members of such societies consider that some direct advantage should be secured to those who may not find employment in the productive establishments, this might be effected by an ingenious modification of the self-acting rule adopted at Guise by M. Godin, for the equitable division of profits between capital and labour, suggested by Mr. Gray in the paper on "Co-operative Production," read by him at the Plymouth Congress, namely, to use as the factors of division the sums represented by—(1) the wages of work capitalised at 5 per cent.; (2) the wages of capital similarly capitalised; (3) the amount of sales.

The following figures illustrate the application of this system to the West End Leicester Shoe Works, using the statistics given on page 161.

	Factors of Division.		Profits.		
	Actual.	Capitalised.	Total.	Apportioned.	Per Cent.
Wages—					
Work	£25,030	£500,600	£2,573	£2,148	83.45
Capital ...	1,120	22,400	...	96	3.73
Sales	76,884	...	...	329	12.81

12.—Note to Page 167.

THE APPLICATION OF THE PROFITS OF PRODUCTION.

We may consider this question with reference to the total amount of the income of which the working population could obtain the command by means of the profits on their own consumption of manufactured articles. The total income of this class in the United Kingdom has recently been estimated by Mr. Leone Levi, at £400,000,000 out of £1,000,000,000 estimated income of all classes, taking, as the line of division, incomes below and above £100 a year. It is, I conceive, a high average to assume the consumption of *new* manufactured goods by persons whose incomes are not over this sum to be 10 per cent of their total expenditure, or £40,000,000 for the whole body. But this is at retail prices. To obtain the manufacturer's charge, we must deduct at least 20 per cent, or £8,000,000. Now, this £8,000,000, less the actual cost of retail distribution, the workers may put into their own pockets, by association, without interfering with the earnings of work. What more could they get by absorbing them? Taking the Leicester Shoe Works as our guide, we obtain as average profit, on the turnover of £32,000,000, 3·5 per cent, or £1,230,000; for the capital required to produce it, £9,000,000; and for the charge on this capital at 5 per cent, £450,000. Deducting this charge from the £1,230,000, we arrive at £780,000 as the total addition, which could be thus made. Suppose it raised to £1,000,000. Can anyone imagine that this £1,000,000, if simply distributed over the individual incomes of £400,000,000, could make any material difference in the position of the receivers of these incomes?

Is it not clear that if any important effect is to be produced from the use of such small means, this must arise from using them so as to show what can be done for the workers, by the wise use of the earnings of their work for the benefit of those who make them—that is to say, by the system advocated in this Manual, and in actual operation at Guise?

Note 13.

LIST OF THE PUBLICATIONS OF THE CENTRAL CO-OPERATIVE BOARD.

		Per 100.	s.	d
Acland, A. H. D.—	The Education of Citizens		7	6
Allan, John—	Productive Co-operation		1	9
Anonymous—	Banbury Co-operative Tract		1	0
"	Co-operation a Cure for Poverty		0	5
"	Co-operation *v.* Private Traders		0	5
"	Five Reasons Why I am a Co-operator		0	5
"	Opinions of Eminent Men on Co-operation, No. 1		0	3
"	" " " No. 2		0	3
"	Self-Help and Help to our Neighbour		0	5
"	The Co-operative Wholesale Society—What is it?		*Gratis.*	
"	Working Together and Helping One Another		1	0

PUBLICATIONS—*Continued.*

	Pr 100. s.	d.
BOOTH, NELSON—How Bob became a Co-operator	0	9
BOYVE, M. DE—International Co-operation	1	0
CARTER, W. T.—Unbelievers in Co-operation, and How to Win Them	3	6
COPLAND, E.—Ought Productive Works to be carried on as Departments of Wholesale Societies?	1	9
CROOKS, W.—Co-operative Education	2	0
" Dividend: What it is, and How it is made	1	0
DAVIES, Miss M. LLEWELYN—The Co-operative Movement	0	9
FALES, Miss I. C.—The Industrial Conditions of the United States	1	9
GODIN—The Association of the Familistère at Guise	2	0
GRAY, J. C.—How to Start Co-operative Stores	*Gratis.*	
" Co-operative Production	2	0
" Co-operative Production in Great Britain	2	6
GREENWOOD, A.—The Educational Department of Rochdale Pioneers' Society Limited: Its Origin and Development	2	6
" The Fundamental Principles of Co-operation	2	0
HALL, W. H.—Leclaire: "A Real Saviour of Society"	4	0
HAVERCROFT, C.—How can a Man become his own Landlord?	2	0
HINES, G.—Co-operation and the Perils of Credit	2	0
" The Full and Fair Reward of Labour	0	5
HOLMES, J.—The Second Great Step—Co-operative Beneficence	2	6
HOLYOAKE, G. J.—Logic of Co-operation	5	6
" The Policy of Commercial Co-operation	3	0
" The Growth of Co-operation in England	4	0
HOPKINSON, G. H.—The Best System of Leakage for a Country Co-operative Store	2	0
HUGHES, THOS., Q.C.—An Address	1	9
" Lecture on the History and Objects of Co-operation	4	0
JOHNSON, D.—Association Farming	1	9
JONES, B.—Lecture: What is Meant by Co-operation	4	6
" Co-operation *v.* Socialism	4	0
" Possibilities of Co-operation, with Diagrams	0	6
JONES, J. H.—Co-operative Education	1	9
LOVEDAY, W. G.—Co-operative Agriculture	2	0
M'INNES, D.—Co-operative Agriculture	2	6
M'VITTIE, J.—Riding the Marches Round Labour's Estate	2	0
MARCROFT, W.—A Co-operative Village: How to Conduct it, and Where to Form it	3	6
MAXWELL, W.—Wholesale Co-operation	4	0
NASH, VAUGHAN—The Relation of Co-operative to Competitive Trading	2	6
NEALE, E. V.—Association and Education: What they may do for the People	4	0
" Co-operation *v.* Joint-Stockism	1	9
" Co-operative Production	1	0

PUBLICATIONS—*Continued.*

	Per 100. s. d.
NEALE, E. V.—Co-operative Societies and the Income Tax	*Gratis.*
" Copyhold Enfranchisement	2 0
" Housekeeping under Difficulties: A Dialogue for Young People	1 0
" Land, Labour, and Machinery	5 0
" The Central Board: Its Use, Work, and Cost	*Gratis.*
" The Common Sense of Co-operation	1 9
" The *Co-operative News*, and Why Co-operators should Support it	*Gratis.*
" The Economics of Co-operation	5 0
" The Economic Aspect of Co-operation	2 0
" The Principle of Unity	1 9
" The Three C's: Co-operative Triologue	1 0
" True Refinement	2 6
" What is Co-operation?	1 9
" What Co-operation can do for the Labourer	0 5
" Why should the Rich interest themselves in Co-operation? And How can they Promote it?	1 0
NUTTALL, W.—Co-operative Share Capital: Transferable or Withdrawable?	2 6
P. H.—What's the Good of It?	1 0
QUIRK, G. E.—The True Relation between Wholesale and Productive Societies	1 9
RANDLE, A.—A District Co-operative Farm	2 0
RIPPER, Professor—Technical Education	3 6
RITCHIE, T.—The Relation of Co-operative to Competitive Trading	2 0
SCOTTON, A.—Cottage Purchasing	2 0
SHARP, Miss—Co-operative Education	2 0
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